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Finland	Fmk10	Lebanon	L£1,200	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM2.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.30	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday October 10 1991

D 8523A

SURVEY
Taiwan at the crossroads
Pages 13-16

World News

UK expected to move on boat people repatriation

The British government is expected to announce next week its intention to go ahead with the forced repatriation to Vietnam of boat people in Hong Kong who have been denied refugee status.

The US has previously strongly opposed the forced return of tens of thousands of Vietnamese people, but has offered no public criticism of an agreement on repatriation reached between London and Hanoi at the end of last month. Page 20

Yugoslav ceasefire
Yugoslavia's federal army and Croatian officials yesterday agreed details of the latest ceasefire. The terms included lifting blockades on Adriatic ports and army barracks in Croatia and a partial federal army withdrawal from the breakaway republic. Key to peace, Page 3

Iraqis 'shelled Kurds'
The Iraqi army shelled Kurdish towns despite a truce between Kurds and the Baghdad government, the rebels said. Kurdish guerrillas were massing close to Iraq's borders with Iran and Turkey in case more fighting broke out with Iraq.

Romanian kidnapped
Liziu Radu, Romania's acting ambassador to India, was kidnapped in New Delhi. Indian police think the kidnap was in retaliation for the killing and arrest of Sikh gunmen who attacked India's ambassador in Romania six weeks ago.

S Africa strike plan
The African National Congress and South Africa's main trade unions announced plans for a general strike on November 4 and 5 to protest against the new value added tax.

Arab homes occupied
Israeli police evicted members of an ultra-conservative settlers' group who occupied Arab homes in Jerusalem, but halted when four right-wing parliamentarians refused to move. State Radio said the settlers had the approval of Ariel Sharon, the hardline government *minister responsible for* implementing settlement policy.

Senate probe
Judge Clarence Thomas will appear before a US Senate committee tomorrow to try to clear *his name of sexual harassment* allegations which are blocking his confirmation as a Supreme Court judge. Page 6

Dublin retreats on pay
The Irish government said it was unable to meet a 3 per cent public sector pay rise due next January under a pact agreed last year. Page 3

Soviet army
A majority of republics of the former Soviet Union have agreed in principle to keep a unified army, the Soviet Defence Ministry said. Page 2

Scientists jailed
A German chemist and two engineers were jailed in Mannheim, Germany, for helping build a poison gas factory at *Rabta*, Libya.

Stolen car centre
Bulgaria has become an important centre in the international stolen cars trade, a Bulgarian customs official said. Cars stolen in Italy and Germany are driven to Bulgaria, then shipped to Arab countries.

Coins recalled
Switzerland is recalling gold coins issued to mark its 700th anniversary. They discoloured because of silver dust on the *moulds used to stamp them.*

Rugby World Cup
Scores in the Rugby Union World Cup: Australia 9 Western Samoa 3; Canada 19 Romania 11; Ireland 32 Japan 16; *Scotland 51 Zimbabwe 12.*

Business Summary

Sony reaches truce with Philips on audio system

Philips of the Netherlands and Sony of Japan, leading contenders to develop a new high-fidelity recording system, reached an apparent truce and announced support for one another's technologies.

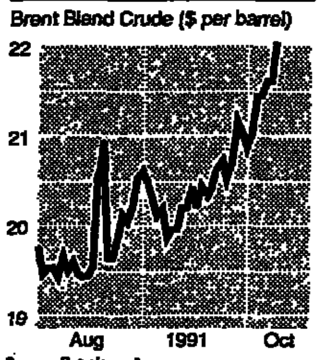
Philips will help simplify licensing procedures for Sony's proposed Mini Disc, a miniaturised compact disc which can also record music. In return, Sony's music subsidiaries will sell tapes for the Digital Compact Cassette (DCC) from Philips, which looks like a traditional audio cassette but matches the quality of sound of a CD. Page 20

ALLIED-SIGNAL, US aerospace, automotive parts and engineered materials group, is to write off $880m in the third quarter, slash its dividend by 44 per cent and eliminate 5,000 jobs as part of a wide-ranging restructuring aimed at cutting costs and achieving a positive cash flow by next year. Page 21

OIL prices reached an eight-week high yesterday when the price for North Sea Brent crude to be delivered in November increased by 40 cents to $22 a barrel. Traders believe prices could move at least a couple of dollars higher before the end of the year as *supply and demand remain* in fragile balance. Commodities, Page 30

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

INTERNATIONAL Business Machines (IBM), the world's largest computer-maker, spelled out new plans to sell its products and services throughout Europe under the labels of other manufacturers. Page 24

KANSALLIS-Osake-Pankki (KOP), Finland's largest commercial bank, slid into the red during the first eight months of the year. The bank incurred a loss before provisions and taxes of FM318m ($77.4m), compared with a FM325m profit during the same period in 1990. Page 22

A GROUP of 20 of the UK's largest institutional fund managers have taken the first step towards an international electronic trade confirmation system which would smooth the way towards global securities trading. Page 21

ROCHE, Swiss pharmaceuticals and chemicals group, disclosed a 17 per cent increase *to SFr8.42bn ($5.7bn) in consol*idated sales for the first nine months. Page 22

LONG Term Credit Bank, a leading Japanese bank, is planning to acquire Peers and Company, a Wall Street corporate finance boutique, with which it has had commercial ties since 1985, for $20m. Page 26

IRAN plans its own satellite and mobile communications *networks to transform its tele*communications infrastructure. Contracts with foreign suppliers worth DM10bn ($5.9bn) will be finalised by the end of the year. Page 7

SABENA-Air France linkup: The Belgian government said it would not approve a link between the national carrier Sabena and Air France until a new government was installed after elections in November.

Fried Krupp and Hoesch aim to forge alliance

By Andrew Fisher in Frankfurt

FRIED Krupp and Hoesch, the German steel and engineering groups, are today expected to announce a close alliance that could eventually lead to a merger between the two Ruhr-based manufacturers.

The companies, which have a combined turnover of DM34bn ($20bn) and employ 110,000 people, said they would hold a joint press conference in Düsseldorf today. A tie-up would represent a major shift of industrial power in north Germany, possibly rekindling charges from abroad that *potential foreign bidders* are being kept out of the market.

The starting point for the deal is Krupp's acquisition of a 24.9 per cent stake in Hoesch. The latter recently announced a 66 per cent slide in interim pre-tax profits from DM410m to DM140m, mostly reflecting weak steel business.

Industry sources said that friendly institutions – including Düsseldorf-based West*deutsche Landesbank*, a Swiss bank, and insurance companies – were prepared to sell their holdings in Hoesch to *give Krupp a majority, if EC* and German competition authorities approved such a deal. Both Krupp and Hoesch declined to comment. Based on yesterday's closing share price of DM293 – up DM30 from the early-August level – Hoesch has a market capitalisation of just over DM2bn.

Under its previous chief executive, Mr Detlev Rohwedder – who left to run east Ger*many's Treuhand privatisation* agency before being murdered in April by terrorists – Hoesch had been undergoing restruct*uring. However, the latest* results showed this process still had some way to go.

The top job at Hoesch, based in Dortmund, was recently taken over by Mr Kajo Neukirchen, 49, who had turned round Klöckner-Humboldt-Deutz, the Cologne-based diesel and engineering concern.

In 1990, Hoesch made operating profits of DM440m against DM517m the previous year, *reflecting a drop of* DM100m in steel profits. Turnover was 2 per cent higher at DM16.1bn.

Krupp, headquartered in *Essen* and owned by the Krupp foundation (75 per cent) and the government of Iran, has also been through a rough time. However, it returned to profit last year after three years of restructuring under Mr Gerhard Cromme, 48, its chief executive. Krupp earned net income in 1990 of DM217m after a loss the previous year of DM452m. Turnover was DM17.7bn, a rise of 13 per cent.

Ms Katrin Kandel, an analyst with the London office of Sal Oppenheim, the German private bank, said: "This is the *culmination of years of specu*lation about who was going to take over Hoesch. The company would not have the critical mass to survive long term. It had long looked extremely vulnerable."

At one time, British Steel was thought to have been interested in Hoesch. The decision to go for an all-German solution to Hoesch's problems was greeted with disappointment by another analyst. "It's very sad to see Germany once again preserving its Germanness," he commented.

Portugal seeks greater unity within the EC

By Patrick Blum in Lisbon

PORTUGAL will seek to deepen European Community integration rather than immediately pursuing enlargement when it takes over the EC presidency from the Dutch in January, Mr Anibal Cavaco Silva, the Portuguese prime minister, said yesterday.

Mr Cavaco Silva, outlining his priorities for Portugal's presidency, said it was "fundamental that member states regain the will to overcome difficulties and to compromise to achieve progress towards monetary and political integration". He hoped a compromise would be reached at the Maastricht conferences on political and economic union to be held in December.

The task had been more difficult recently because "too many events and demands from outside the Community required its attention", Mr Cavaco Silva said, in his first interview since the victory of his Social Democratic party in last Sunday's general election.

Portugal was against a two-speed Europe, Mr Cavaco Silva said. "The idea appeared recently, and fortunately it was rejected. *It is* unacceptable. We can have transition periods, but not a two-speed Europe. When we are moving towards deeper integration it doesn't make any sense to talk about two speeds," he said.

Portugal which joined the EC in 1986, wanted to make its contribution to the construction of the new Europe and to the "hard-core that is formed by the Twelve". The Community must maintain a dialogue with the rest of the world, but it must first complete the task it has set itself, he said.

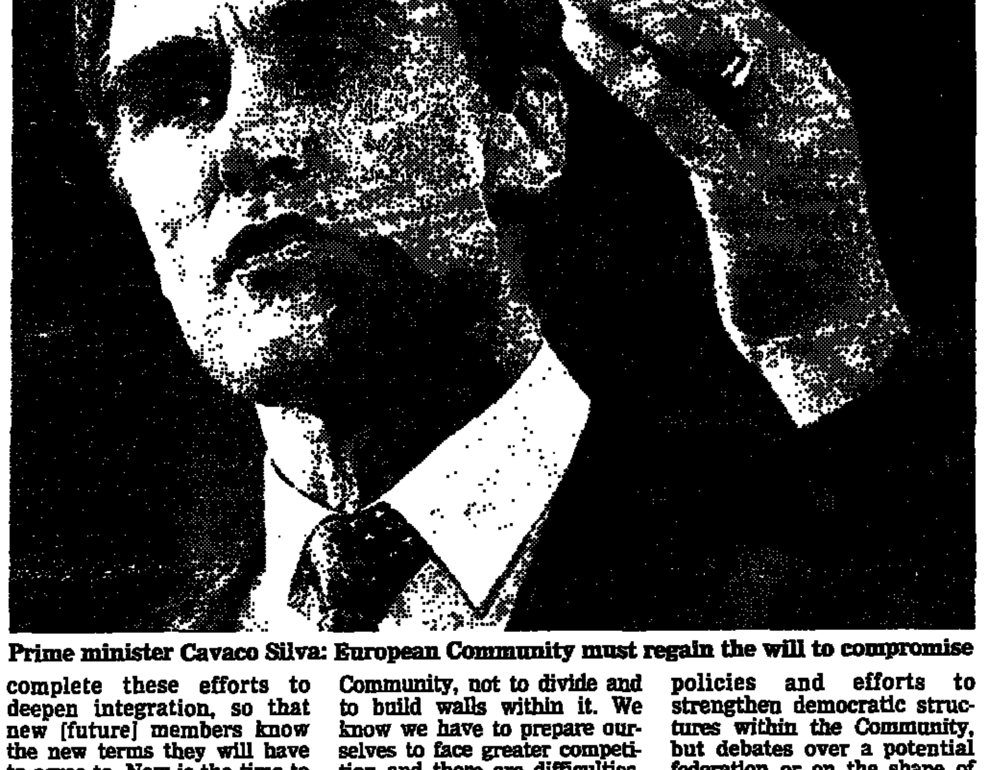
"We have to deepen first - to complete these efforts to deepen integration, so that new [future] members know the new terms they will have to agree to. Now is the time to deepen European integration. After that it will be easier to discuss enlargement."

Portugal had made enormous efforts to face the challenges of EC membership. "We did not avoid the difficulties, and we want to strengthen the Community, not to divide and to build walls within it. We know we have to prepare ourselves to face greater competition and there are difficulties, but since we have accepted the rules, solidarity implies that Portugal should be supported in its efforts to face these challenges."

Mr Cavaco Silva said Portugal supported moves towards common foreign and defence policies and efforts to strengthen democratic structures within the Community, but debates over a potential federation or on the shape of the Community were unhelpful.

On domestic relations withthe EC, Mr Cavaco Silva said Portugal would seek an
Continued on Page 20

European Union, Page 2



Prime minister Cavaco Silva: European Community must regain the will to compromise

UK postpones high-speed rail link to Channel

By Richard Tomkins, Transport Correspondent, in London and David Owen in Blackpool

THE construction of a high-speed railway line between London and the Channel tunnel has been postponed by the British government until well into the next century.

This means passengers travelling on high-speed Channel tunnel expresses between London and the Continent will face a slow journey on the British side for at least a decade after the tunnel opens.

The decision brought a furious reaction from Eurotunnel, the company building the tunnel, and a wide range of other bodies. Sir Alastair Morton, Eurotunnel's chief executive, expressed "total dismay" over the delay, saying: "The French will not know whether to laugh or cry."

The postponement was disclosed by Mr Malcolm Rifkind, the transport secretary, as he made a long-awaited announcement about the route at the annual Conservative Party Conference.

Mr Rifkind said the government had decided that the line would take an eastern approach to the capital rather than the route proposed by British Rail through south London.

Sir Bob Reid, chairman of BR, said that he was saddened by the government's decision. "It *missed a golden* opportunity," he said. Asked in an unguarded moment whether he would resign, he said: "Oh, no. For heaven's sake, if you are in the middle of a pantomime, you want to stay with it."

The decision to opt for the eastern route appears to mark a victory for Mr Michael Heseltine, the environment *secretary, who wants the line* to help open up new opportunities for development in the east London corridor.

Equally, the postponement marks a triumph for the UK Treasury which does not believe that BR's traffic forecasts will justify the opening of a new line until at least 2005.

The government has drawn up no plans for financing the construction of the line, expressing the hope that the private sector will come forward to build it. This view was hotly disputed by the Central Transport Consultative Committee, the rail passengers' statutory watchdog.

In his speech, Mr Rifkind also pledged that a Tory government would privatise "large parts" of British Rail in the next parliament and sought its "voluntary co-operation" in allowing increased access to the rail network for private operators.

Mr Rifkind said that the more of BR which was privatised the better, but admitted that it was "not attainable" simply to sell off the entire organisation. "We have already pledged ourselves to give support to locally desirable services," he said.

Stating that the government intended to "end BR's monop*oly of rail services as soon as* possible", he urged it in the meantime to "give positive and sympathetic consideration to reasonable proposals from the private sector to introduce new freight or passenger services."

High-speed link on slow-speed line, Page 8; Editorial comment, Page 18

IMF says Soviet Union needs to intensify reforms

By Peter Norman, Economics Correspondent, in Bangkok

THE International Monetary Fund has warned the Soviet Union that it must introduce comprehensive economic reforms urgently. Otherwise it faces a long recession with rising unemployment and growing shortages in the years ahead, it says.

In its latest twice-yearly World Economic Outlook, released yesterday, the IMF says the social and political upheavals in the Soviet Union, continued disintegration of supply links, and uncertainty about the future course of economic policies have led to a "significant" contraction of economic activity.

Recovery in the years ahead requires "the expeditious implementation of a comprehensive programme of macro-economic stabilisation and systemic reforms", the IMF says.

Continuing recent policies of piecemeal reforms against a background of widening fiscal imbalances and excess liquidity might result in a smaller contraction of output in the short run. But the IMF warns that such an approach would eventually lead to a long recession, with rising unemployment and greater shortages.

The economic crisis in the Soviet Union – which was granted associate membership of the IMF at the weekend – is set to dominate this year's annual meetings of the Fund and World Bank. These begin in Bangkok with meetings of finance ministers and central bank governors of the Group of Seven leading industrial countries at the end of this week.

However, one of the problems facing the international financial community is that nobody has a clear idea of what is happening to the economy in the Soviet Union and its republics.

Mr Michael Mussa, the IMF's chief economist, admitted yesterday that the Fund had no plausible basis to make a forecast for economic developments in the Soviet Union this year and next. In its outlook, the IMF has categorised the Soviet Union as a developing country together with the former communist countries of eastern Europe.

In projections that it admits are tenuous, the IMF forecasts that output in the Soviet Union and eastern Europe together will fall by 10.6 per cent this year and 3.9 per cent in 1992. By next year, however, the IMF hopes that eastern Europe will have started growing again while the Soviet Union continues its economic decline.

The IMF said it had become clear that the transformation of eastern Europe and the Soviet Union to market-oriented economic systems based mainly on private enterprise will be lengthy and difficult. The adjustment costs associated with the economic change may be "considerably larger" than first expected.

Output has fallen sharply: the IMF estimates the cumula-
Continued on Page 20

IMF background, Page 6
Yeltsin returns, Page 2

CONTENTS

Economic Viewpoint: Britain's drift to a European currency

The UK joined the European exchange rate mechanism against Margaret Thatcher's inclinations. The decision will determine British monetary policy in a way still not generally understood.
Page 19

MARKETS

STERLING
New York close:
$1.72 (1.703)
London:
$1.717 (1.7145)
DM2.9025 (2.9075)
FFr9.885 (9.8875)
SFr2.54 (2.545)
Y223.25 (223)
£ index 90.2 (90.4)

GOLD
New York: Comex Dec
$362.1 (360.2)
London:
$357.65 (358.05)

N SEA OIL (Argus)
Brent Nov
$22.125 (21.65)

Chief price changes yesterday: Page 21

DOLLAR
New York close:
DM1.69 (1.70375)
FFr5.7545 (5.804)
SFr1.478 (1.491)
Y129.85 (130.325)
London:
DM1.691 (1.695)
FFr5.7575 (5.7675)
SFr1.48 (1.4855)
Y130 (130.1)
$ index 64.8 (64.5)
Tokyo close: Y130.4

US CLOSING RATES
Fed Funds: 5.0% ($5\frac{1}{16}$)
3-mo Treasury Bills:
5.136 (5.136)
Long Bond:
$102\frac{7}{16}$ ($103\frac{13}{32}$)
yield: 7.904% (7.822)

STOCK INDICES
FT-SE 100:
2,584.1 (−15.4)
FT Ordinary:
1,975.7 (−15.9)
FT-A All-Share:
1,247.1(−0.6%)
FT-A World Index:
145.04 (−0.3)
New York close:
DJ Ind. Av.
2,946.33 (−17.44)
S&P Comp
376.8 (−3.87)
Tokyo: Nikkei
24,485.26 (+329.64)

LONDON MONEY
3-month Interbank:
$10\frac{3}{8}$ ($10\frac{7}{32}$)
Liffe long gilt future:
$94\frac{31}{32}$ ($95\frac{15}{32}$)

Russian leader to confront government plagued by resignations and infighting

Yeltsin returns to domestic turmoil

By Leyla Boulton in Moscow

MR Boris Yeltsin, Russian president, is expected to return to Moscow today to confront internecine warfare within his government, less than two months after it celebrated the defeat of a coup attempt by central authorities.

In the last 48 hours Mr Igor Gavrilov, a deputy prime minister, has resigned and Mr Yevgeny Saburov, the economics minister, has threatened to quit.

Both are complaining the present Russian government, which has been without a prime minister since the resignation of Mr Ivan Silayev last week, has preferred political infighting to tackling the economic crisis.

"What we need is a new government which can do something, however small, for the economy, instead of just chattering," said Mr Ivan Materov, the deputy economics minister. "We have already lost the opportunity we had at the end of August to take unpopular measures needed to sort out the economy."

Mr Yeltsin, who is due to address the Russian parliament tomorrow after recuperating from heart trouble, has two key questions to answer: will he go along with the economic union treaty initialled by Mr Saburov, and can he provide a new prime minister and government capable of action.

Vice-President Alexander Rutskoi, a former air force pilot who favours strong government, says the country is sliding into anarchy. But he has not helped matters by calling the economic union agreement with other republics an act of "banditry".

The treaty sparked the present dispute, with several ministers, including Mr Oleg Lobov, acting prime minister, denouncing it as a betrayal of Russian economic interests.

Yet the government has done little to defend these interests.

With nascent Russian democratic structures still dependent on the authority of one man, Mr Yeltsin must bear some of the blame for the present crisis by failing to make his position clear.

In the first sign that popular goodwill may be running thin, Russian trade unions threatened yesterday to stage a one-hour warning strike on November 13.

The Tass news agency said the Federation of Independent Russian Trade Unions was demanding wage indexation, privatisation which did not harm working people, and the publication of a convincing and clear government plan to tackle the economic crisis.

THE BBC World Service – which until a few years ago was jammed in the Soviet Union – signed yesterday an agreement to broadcast two 30-minute programmes each week on Radio Russia, writes Neil Buckley in Moscow.

The World Service, believed to have 13m regular listeners in the former Soviet Union, is the first western broadcaster to make such a deal with a Soviet network. The BBC will offer work experience with the World Service in London to one Radio Russia staff member every six months.

Boris Yeltsin: takes some blame

Majority of Soviet republics agree to have a unified army

A MAJORITY of republics of the former Soviet Union have agreed in principle to maintain a unified army, the Soviet Defence Ministry announced yesterday, write Neil Buckley in Moscow and Chrystia Freeland in Kiev.

Representatives of 11 of the 15 republics have been meeting in Moscow for the second time to discuss the future shape of the Soviet army. Lt-Gen Valery Manilov, a Defence Ministry spokesman, said that after considering a number of options, including an association of separate armies, most representatives had agreed to maintain a single army and command structure.

However, a notable absentee from the conference was the Ukraine.

Gen Manilov said he believed this was due to "technical difficulties" rather than a deliberate decision to stay away. But Ukrainian officials said that the Soviet central government was trying to thwart the republic's efforts to form its own army.

They said that on Friday the Soviet minister of defence, Marshal Yevgeny Shaposhnikov, sent a telegram insisting that the Ukrainian defence minister, Maj-Gen Konstantin Morozov, come to Moscow to discuss his government's efforts eventually to form its own army of between 250,000 and 350,000.

He refused, and so the Soviet chief-of-staff, Gen Vladimir Lobov, came to Kiev on Saturday with a letter urging all the 1.5m soldiers stationed on Ukrainian territory to oppose the creation of a separate Ukrainian army.

Gen Manilov said that Russia, Belorussia and the five central Asian republics had agreed without condition to the unified army plan. Only Moldova had said it planned to set up its own independent army.

Azerbaijan had agreed on condition that the army would respect and defend republic borders and sovereignty, but Armenia said it was too early to talk about unified armed forces before the details of any new political union had been established. The Georgian representative had not given a definitive response.

Gen Manilov said the continued existence of the Soviet army would not necessarily prevent republics from setting up their own small national guards. A permanent inter-republican committee on defence is to be set up under the auspices of the Soviet Defence Ministry.

EC warned on joint political union initiatives

By Andrew Hill in Strasbourg and Quentin Peel in Bonn

JOINT initiatives on political union by the large member states could delay agreement on a treaty at the Maastricht summit of EC leaders, the Dutch presidency warned yesterday.

Mr Piet Dankert, Dutch minister of European affairs, told the European parliament that separate Anglo-Italian and Franco-German plans for a common EC defence policy could clutter an already busy timetable.

He added: "The large member states are trying to put their own stamp on the inter-governmental conference [on political union]. I know this is not uncommon in the Europe of the 12 but it's up to us to make sure that this sort of initiative doesn't lead to us missing the deadline of the Maastricht summit [in December]."

The Dutch are still upset that Germany and France used last weekend's meeting of foreign ministers to invite like-minded countries to a meeting in Paris tomorrow on defence policy.

However, any suggestion that they are trying to plot outside the confines of the 12-nation EC negotiations was denied in Bonn.

German officials said the Paris meeting would aim to iron out differences between the two countries and co-ordinate a common strategy on the two most contentious issues of European political union – a common external and security policy, and extension of the European parliament's powers.

"In our eyes, this meeting on Friday was always purely bilateral," a German Foreign Ministry spokesman said. "There are numerous German-French bilateral meetings. I don't see why there is uproar. Germany and France always consider themselves the motor of European unity."

However, he confirmed that Mr Francisco Fernández Ordóñez, Spanish foreign minister, who was scheduled to be in Paris on the same day, had expressed an interest in taking part. "This doesn't change anything in the core of the matter," the spokesman said.

German officials say there is a broad consensus between Bonn and Paris on the question of a common European external and security policy, and on the need to move towards more majority voting on external policy implementation – a view which Britain, in particular, strongly opposes.

The question which still divides France and Germany is on the extent of additional powers for the European parliament, which may prove the principal issue on Friday's agenda.

The Dutch presidency is itself under pressure to produce revised proposals on political union, after its radical treaty draft was knocked down by other member states last week.

● The European parliament yesterday backed a resolution giving a unified Germany 18 more seats. Some member states, notably France, may block such an increase during talks on the political union treaty unless they win German concessions on other changes.

To take effect, the resolution must have the backing of all 12 member states, as it would involve an amendment to the EC treaty.

See Lombard

ACTION URGED ON REFUGEES

EC governments should crack down on illegal immigration and harmonise procedures on asylum to give legal immigrants and genuine refugees a better deal inside the Community, writes David Buchan in Brussels.

This is the thrust of recommendations sent by the Commission to the Council of Ministers yesterday. The EC's executive has little legal competence over immigration, but there are moves in the political union talks to change this. Germany has called for a debate at the Maastricht summit in December on immigration and asylum.

The Commission says it is ready to re-submit a 1976 proposal to impose fines on those, particularly in the building industry, who organise and exploit illegal immigration. It also suggests the Twelve reach common agreements with third countries to allow workers into the EC on temporary contracts.

The Commission balances its call for a tougher regime for illegal immigrants with the suggestion that legal immigrants should have the same EC-wide rights as Community citizens in work, travel and even residence. The Commission notes that asylum applications rose from 169,000 in 1988 to 327,000 last year.

French MPs open immigrant debate

By William Dawkins in Paris

THE French parliament yesterday opened a three-day debate on plans to crack down on illegal immigrant workers and their employers, in what has become an issue of broad national and European concern.

The debate is a test of the Socialist government's immigration policy at a time when the opposition is seeking to take the initiative from both the government and the extreme-right National Front.

The draft law sets prison sentences and bigger fines for employers and clandestine workers, of which the government estimates there are up to 1m. Illegal working is seen by some as a big factor in France's rising unemployment, approaching 3m.

The main right-wing opposition parties say they will vote against the proposals, some of which, they claim, soften existing penalties. Many illegal workers would be exempt from so-called double penalties, where they are liable for prison sentences as well as expulsion.

The right will support the plan only if the double penalties clause is taken out. But the proposals should win a majority despite this.

Mr Valéry Giscard d'Estaing, former president and head of the conservative UDF, attracted widespread criticism a fortnight ago for warning that France faced an immigrant invasion. Yet his standing as a person to whom French people feel close has risen seven points to 38 per cent, according to a recent poll.

FRENCH banks' volume of home loans fell, on average, by 30 to 35 per cent in the first six months of this year, according to a survey by Le Monde, the daily newspaper, writes William Dawkins in Paris.

The top five banks have scaled back lending in the sector over the past 15 months and see no immediate prospect of recovery.

They attribute a series of payment defaults to a combination of high real interest rates and the consequences of allowing clients to over-borrow before the downturn.

Cresson backs Bérégovoy

By Ian Davidson in Paris

CALLS for a more expansionary economic policy in France, which have come from within the governing Socialist party as well as trade unions, have been quashed by Mrs Edith Cresson, the prime minister.

Mrs Cresson told the Paris-Match magazine she supported her finance minister, Mr Pierre Bérégovoy, and that there was no alternative to the economic policy he was pursuing. Rumours that he might be resigning were baseless, she added.

Mr Bérégovoy has repeatedly rejected calls for faster economic growth and an easier budget policy as a way to fight rising unemployment. "I shall not be the man of devaluation," he has said. "There are no magic recipes for unemployment."

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Yugoslav ceasefire will attempt to set up daily meetings between main protagonists

Confidence seen as key to peace

By Judy Dempsey in Zagreb

MR Hans van den Broek, Dutch foreign minister and current EC president, is to hold talks today in The Hague with the three main protagonists in the Yugoslav conflict – President Franjo Tudjman of Croatia, President Slobodan Milosevic of Serbia, and Defence Minister Veljko Kadijevic, writes David Gardner in Brussels.

The EC intends to try to consolidate the ceasefire it brokered in Zagreb early yesterday morning, and to retrieve the main threads of the political agreement reached last Friday.

This offered independence to all Yugoslav republics which accept the terms of the EC's mediation.

THE latest European Community-brokered ceasefire between the Croatian government and the Yugoslav federal army attempts to achieve what other ceasefires have failed to address: the establishment of confidence-building measures through daily meetings between the protagonists.

However, EC monitors and western diplomats have no illusions about the limitations of the ceasefire and the prospects of it holding.

"It is the best so far," said one monitor. "But we are only tackling the tip of the iceberg. The road ahead will be very, very long. There is no guarantee this one will hold.

"But all sides must keep talking. The threat of sanctions is now an important factor."

In Croatia, President Franjo Tudjman will find it difficult to sell the terms of the ceasefire to the increasingly vocal nationalist wing of the ruling Croatian Democratic Union (HDZ).

Not only does the ceasefire *fail to stipulate that the Serb-dominated* federal army leave the Croatian republic altogether. It also fails to extend the ceasefire to Slavonia, in eastern Croatia, which has taken the brunt of the fighting and which is now under the control of, or besieged by, the federal army and Serb paramilitary units.

This ceasefire, for the moment, applies only to the Borongaj barracks in Zagreb, as well as the Adriatic coast and its hinterland.

Moreover, the text states that when federal army units and Croatian forces withdraw from the Adriatic coast and its hinterland, and when the blockade of the Borongaj barracks in Zagreb is lifted, the federal army can leave "with *their means of transport, technical material*, weapons intact, military equipment and other mobile military property." This is due to be implemented by Saturday evening.

Croatian national guardsmen stationed outside the Borongaj barracks yesterday were angry about the terms of the agreement.

"We will have to comply and lift the blockade. But we know the federal army will move their equipment to Vukovar and to Vinkovci [in eastern Croatia] and dig in," said Commander Rajko Bukhin. "This is a bad agreement."

Croatian officials agreed to the ceasefire because they are desperately keen to rid Zagreb – and the Adriatic coast, particularly the regions around Dubrovnik and Split – of federal army units.

"Psychologically, it is crucial that these two regions be free of the federal army," said one Croatian official. "We do not want the guts of Zagreb or Dubrovnik to be bombed. We have seen that the army can strike at Zagreb at any time."

He added the future status of the large Marshal Tito barracks in the capital remained uncertain. "We will have to negotiate this very soon," he said.

For the army's part, western military attachés believe that it agreed, at least on paper, to withdraw from one of the capital's barracks, as well as the coast, for tactical reasons. Diplomats believe the army cannot continue to consolidate its position in these regions, and at the same time hold on to the swathe of territory in Slavonia, Krajina, in the south-west of the republic, and the territory around Karlovac, south of Zagreb.

"The federal army is acting on the orders of the Serbian leadership," said one western diplomat. "The army has problems with recruiting, fuel and supplies. They are now looking towards the future. Serbia will tighten its grip in Slavonia, and the southern part of Croatia as part of its plan for carving a Greater Serbia out of Croatia."

This Serbian-inspired strategy, coupled with the latest ceasefire, will particularly anger the Croatian military leadership in Slavonia. It is reported that Mr Vladimir Seks, head of Croatian military and political operations in Slavonia's capital Osijek, and a *sharp* critic of Mr Tudjman, will demand more weapons to beat back the federal army.

"The greatest problem facing the Croatian government in the implementation of this ceasefire is the internal divisions in the HDZ," said one Croatian parliamentary deputy.

"The Croats have been humiliated by an army which we now regard as an occupying Serbian-controlled force working at the behest of Mr Slobodan Milosevic [the president of Serbia]," he added.

"If all sides keep talking, maybe this ceasefire can last. But I am pessimistic.

"It does not go far enough for Croatia."

A Yugoslav reservist checks a house gutted by fire

Bulgaria's democrats rally for fresh push against old guard

Socialists could lose their majority in Sunday's elections, Kerin Hope writes

THE self-assured men drinking coffee at the headquarters of the Bulgarian Socialist Party (the renamed communists) seem to make a point of ignoring the harassed young campaign workers nearby. But if the BSP loses its parliamentary majority in Sunday's election, as seems likely, their comfortable premises will be confiscated.

After their victory in the previous election in June 1990, the Socialists clung unashamedly to the privileges they held under Mr Todor Zhivkov, the former communist party leader overthrown almost two years ago in a bloodless politburo coup.

The BSP was forced by a wave of strikes and demonstrations last winter to form a coalition government with the main opposition group, the Union of Democratic Forces UDF), but it still managed to water down and, in some cases, block legislation crucial for the country's transition to a market economy. The UDF, a loose alliance of 20 political groups, has split into four factions. But all agree that if democracy is to take root, the communist nomenklatura must be removed from jobs in industry and the bureaucracy, and communist party property handed over to a new administration.

The UDF split, coming just as an *election victory over the socialists* seemed within its grasp, left opposition supporters angry and confused, especially since personal, rather than ideological, differences among its politically inexperienced leaders appeared to be responsible.

The BSP, which won the last election with the votes of conservative villagers, is unlikely to account for more than 30 per cent this time, though that could still make it the largest single party in the 240-seat parliament. The Socialists remind voters of how living standards have fallen since leading UDF members, who took the major economic portfolios in the coalition government, *launched* a rigorous *economic programme* in February with IMF approval.

The socialists' campaign tactics include making cut-price coffee and cooking oil available to supporters. Discontent is sharpest over price liberalisation, which ended the severe shortages of food and other basic goods last winter but brought price rises of up to 200 per cent. The only queues in Sofia are long lines of cars waiting at petrol stations.

Interest rates were raised above 50 per cent in an effort to contain inflation. Industrial production has slumped, while delays over privatisation of co-operative landholdings will mean a further decline in farm output. Unemployment is now nearly 10 per cent. Wages have risen in the past year but have failed to keep pace with prices.

Bulgaria has embraced a tough economic programme in a way that marks it out from its Balkan neighbours. The reward for acceptance of this is a World Bank loan of $250m (£143.6m) to cover essential imports and the promise of another $800m from the Group of 24 western industrialised countries. The World Bank loan is coming in two tranches; the second depends on the government's progress with reform.

The most popular faction in the UDF is the Radicals group headed by Mr Philip Dimitrov. His platform is for continued commitment to economic restructuring, including privatisation of industry and services, and improved measures to encourage foreign investment. The Radicals could win over 25 per cent of the vote, giving them a chance of being asked to put together another coalition government.

Further co-operation with the Socialists is ruled out, while Mr Dimitrov would probably prefer to avoid joining again with his UDF rivals. Instead, he could approach the United Agrarians, a new alliance under Mr Tsanko Barev.

The UDF Radicals are prepared to co-operate with the Movement for Rights and Freedoms, the ethnic Turkish party expected to win the votes of the Moslem minority making up 15 per cent of Bulgaria's 9m population.

Dublin reneges on union pay agreement

By Tim Coone in Dublin

THE IRISH government told union leaders and employers yesterday it was unable to meet a 3 per cent public sector pay rise due in January next year and agreed in 1990 under a tripartite programme of co-operation.

The announcement by Mr Charles Haughey, the prime minister, may end a year of *peaceful industrial relations* under the Programme for Economic and Social Progress. The programme "has to go back to the drawing board", the premier said.

Mr Haughey also said yesterday that no tax concessions would be made in what is expected to be a tough 1992 budget.

The tripartite programme is a three-year framework agreement designed to prevent a wages free-for-all, in return for government commitments to tackle unemployment and to draw up a long-term development plan. Phased pay awards, contingent on certain growth targets, were built into the programme.

Latest Central Bank figures, however, forecast a mere 0.5 per cent growth rate in gross national product (GNP) this year, with only modest improvement foreseen next year. As a result Mr Haughey said the proposed 1992 pay award could not be met.

Public sector trade union leaders said yesterday they were unwilling to renegotiate the 1992 award. Mr John O'Dowd, secretary-general of the CPSU, the largest public sector union, said it was too early to say whether the union's position heralded a "winter of discontent" in Ireland. But he added: "Our members are not prepared to give up the little they have gained."

The trade unions want a greater share of the tax burden to be borne by industry.

● The latest seasonally-adjusted unemployment figures show a 16.6 per cent rise over the past 12 months, from 225,800 to 263,500.

Ireland has the highest unemployment rate in the EC, at nearly 20 per cent of the workforce.

Mubarak meets Gadaffi in drive for peace

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak welcomed Colonel Muammer Gadaffi to Cairo yesterday as part of Egypt's continuing efforts to placate the fiery Libyan leader amid delicate negotiations on the convening of a Middle East peace conference.

Egypt is anxious to deflect Col Gadaffi from actions and statements that might jeopardise preparations for the peace summit. Libya is a sponsor of Palestine Liberation Organisation militants opposed to Palestinian participation.

Talks between the Egyptian and Libyan leaders coincide with a flurry of Arab diplomatic activity on the eve of the return to the region of Mr James Baker, US secretary of state.

Mr Hafez al-Assad, Syria's president, is due in Cairo at the weekend to discuss a possible meeting of four Arab "front line" states and the PLO to coordinate positions before the proposed peace conference.

Mr Yassir Arafat, the PLO leader, is pressing for such a meeting to be hosted by Syria and attended by representatives of Jordan, Lebanon, Egypt and the PLO. Mr Arafat himself has been ostracised by many Arab states, including Egypt, over his support for Iraq in the Gulf War.

Mr Mubarak this week received a high-level Palestinian delegation in Cairo to discuss preparations for the US-Soviet sponsored peace conference. It was the Egyptian leader's first formal public meeting with PLO officials since the Gulf War.

Mr Gadaffi, who is invited to the wedding today of one of Mr Mubarak's sons, vowed he would never set foot in Cairo while the Israeli flag flew in the Egyptian capital following Egypt's 1979 peace treaty with Israel. The Libyan leader, however, attended an emergency Arab League summit in Cairo in August last year. He had crossed the border from Libya into Egypt in October, 1989, for the first time in 16 years.

Libya and Egypt fought a brief border conflict in 1977 after Mr Gadaffi and the late president Anwar Sadat fell out over the Egyptian leader's peace negotiations with Israel.

Mr Sadat likened the Libyan leader to a mad man and a clown. Mr Mubarak has described him as unstable but since Egypt's re-admission to the Arab League in 1989, has tried to develop a close working relationship with his unpredictable neighbour.

Unpredictable Gadaffi (left) is to hold talks with Mubarak (right) on convening a Middle East peace conference

Marriage of convenience for old Arab foes

Max Rodenbeck reports on the budding new relationship between Cairo and Tripoli

RELATED BY blood but long divided by politics, Bedouin Arabs on the Libyan-Egyptian border are celebrating their governments' growing rapprochement in traditional fashion.

In the two months since travel restrictions between the North African neighbours were dropped, the number of cross-national marriages has swelled to as many as 50 a day.

The radical regime of Col Muammer Gadaffi and the pro-western government of President Hosni Mubarak of Egypt, may seem strange bedfellows. The US gives Egypt $2bn in aid every year, but in 1986 its warplanes bombed Tripoli.

Egypt sent troops last year to liberate Kuwait. Libya equivocated, and ended by condemning western intervention in the Gulf. When Col Gadaffi described the hardline coup in the Soviet Union as "magnificent", the outspokenly pro-Gorbachev President Mubarak fired off a chiding letter to his hasty Libyan counterpart. But since the two countries restored diplomatic relations in 1989, after a 13-year break, Egypt and Libya have increasingly profited from agreeing to disagree. At President Mubarak's order, most border controls were lifted on August 6. The result has been a flood of traffic, and on some days more than 10,000 people make the border crossing. Col Gadaffi's visit to Cairo yesterday was another sign of the importance of the new relationship.

Egyptian exports to Libya amounted to $75m in 1990. In the first four months of this year alone they exceeded $90m. Since the relaxation of controls, trade, much of it in the form of statistic-proof hand-baggage, has multiplied.

In economic terms, Egypt has benefited most. Oil-rich Libya has plans to invest up to $200m in Egyptian industry, and is financing a $100m rail link. A customs agreement has helped Egyptian household goods to find a lucrative market next door. A flood of cheap steel from Libya's Misurata plant – estimated at some 4,000 tonnes a week – has kept prices low in the voracious Egyptian construction market.

Best of all, Libya's open border is draining Egypt's labour surplus.

Nearly 1m workers returned penniless from the Gulf war zone, after Iraq's invasion of Kuwait, losing Egypt an estimated $1bn in annual remittances and adding to a labour pool already crowded by the entry of 600,000 job-seekers every year.

The Gulf monarchies have hired Egyptians to replace Yemenis and Palestinians, whose leaders were sympathetic towards Iraq, but Libya is closer and conditions for guest workers there are more comfortable than in the Gulf.

Moreover, Libya insists it is serious about plans to settle up to 1m Egyptian farm workers on land reclaimed by the Great Man-Made River, the $25bn project to turn Libyan deserts green, of which the first phase was opened recently with much fanfare.

The benefits are not all one way, however. Egyptian companies are drilling for oil in Libya's Sirte field and a recent visit to Tripoli by a team of top Egyptian oilmen suggested that closer co-operation may be at hand – a significant development, considering that Libya's petroleum output has suffered from a US-led technology boycott.

Egypt has also tempted Libya with political rewards. "Gadaffi is isolated and would like not to be," explains a western diplomat in Cairo. "He thinks that, if he establishes closer relations, Egypt can help to rehabilitate him."

So far, there are few signs of this happening. Britain and the US, in particular, remain convinced that Libya harbours terrorists, continues to manufacture chemical weapons' components at the German-supplied Rabta plant, and meddles in other countries' affairs.

Egyptians, too, are wary. "Colonel Gadaffi drove a bulldozer into his border-post with Egypt," wrote a columnist in a Cairo daily. "So by the same logic we ask him to drive a bulldozer into the office that prevents the circulation of Egyptian newspapers and books and magazines in Libya." The hidden tensions of the relationship took dramatic form during the recent celebration of the Man-Made River opening. After President Mubarak was jostled by an enthusiastic crowd, his bodyguards exchanged blows with Libyan security men.

President Mubarak, mindful of his sceptical Egyptian and western audiences, has sought to play down the Colonel's radical rhetoric and his oft-repeated suggestions that Arab countries should merge. "Unity cannot be imposed from above, but must be achieved through the interaction of the people's interests," Mr Mubarak said.

Baker tries new Mideast peace tour

MR James Baker, US secretary of state, may meet Mr Boris Pankin, Soviet foreign minister, in the Middle East, and is keeping open the option of sending invitations to a peace conference without full agreement on its terms, his spokeswoman said yesterday, Reuter reports from Washington.

Ms Margaret Tutwiler said Mr Baker would meet Palestinian negotiators Hanan Ashrawi and Faisal al-Husseini in Washington today, to discuss efforts to bring Palestinians to a Mideast peace conference.

Mr Husseini, Mr Ashrawi and a third Palestinian, Mr Zakaria al-Agha, left Jerusalem yesterday, headed for Washington. Mr Baker, hoping to finish plans for the conference that would lead to Arab-Israeli negotiations, will leave on Saturday on his eighth trip to the region. Mr Baker will spend Sunday night in Cairo, Monday in Amman, Tuesday in Damascus and Wednesday in Jerusalem.

Dock reforms in Australia back on track

Optimism is growing that the end may be in sight for the country's byzantine dock labour system, reports **Kevin Brown**

NO ONE is celebrating yet, but reform of Australia's byzantine dock labour system appears to be back on track, only a few months after it seemed to be poised to collapse.

Against all expectations, the government-appointed Waterfront Industry Reform Authority (Wira) says it will probably achieve its interim target of removing 1,800 dockers from the workforce by October 31, the end of the second year of a reform programme launched in 1989.

"We are just short of the total at the moment, but we have agreements in the pipeline with stevedores in Sydney and Melbourne which we hope will be signed over the next couple of weeks, and that would take us over 1,800," says Mr Barry Vellnagel, the Wira secretary.

The mood of optimism contrasts sharply with the suspicion and hostility which has dogged the industry since the reform process was launched by Mr Bob Hawke's Labor government in 1989.

The government acted after an inquiry found that dockside productivity was only just over half the average at ports with which Australia trades. It put the cost of excessive labour and delays at A$620m (£286m) a year. Among other benefits, dockers were guaranteed a job for life, paid for travelling to work, and paid for being available to work even in ports where there was no work to do.

Mindful of the failure of 11 previous attempts at reform since the second world war, the government was careful to win support from the Association of Employers of Waterfront Labour and the Waterside Workers Federation, the monopoly union.

The two sides agreed to make 3,000 older workers redundant over three years, offset by the recruitment of 1,000 younger workers.

The agreement also allowed company-level bargaining between the union and individual employers, opening the way for productivity bonuses and incentives.

However, there was little initial progress because of the mutual antagonism of employers and dockers. The distrust exploded in May, when both sides threatened to pull out of the process after the Industrial Relations Commission, the national labour court, announced a cap on pay rises.

The judgment blocked productivity rises offered to the dockers, and looked likely to torpedo the reform process until talks chaired by Mr Hawke thrashed out a compromise.

That in turn triggered the completion of company level deals which boosted productivity.

According to Wira, Australia's five main ports are now handling 14.46 standard 20-foot containers per crane hour, compared with 12.8 in 1989. Throughput is expected to rise to between 18 and 20 an hour by March next year.

CONTAINER PORTS

Port	†Units
Philadelphia	32.7
Yokohama	26.9
Zeebrugge	26.3
Halifax	26.1
San Francisco	22.3
Singapore	22.3
Los Angeles	21.8
Hamburg	21.3
Hong Kong	21.1
Auckland	20.5
Tilbury	17.3
Osaka	16.9
Australia*	14.46

†Throughput per crane hour (20ft equivalent units) First half 1991. *Average of Sydney, Melbourne, Brisbane, Adelaide, Fremantle
Source: Wira

That would put Australian ports in the same league as Tilbury, Auckland and Osaka, and not far behind Los Angeles, San Francisco and Hamburg.

The benefits are also flowing through at company level. Mr Richard Setchell, managing director of Conaust, a subsidiary of Britain's P&O shipping group, says productivity is up by between 70 and 80 per cent at the company's container terminal in Sydney.

However, Mr Setchell remains a critic of the unions, which he claims are delaying further agreements with other Conaust subsidiaries in an attempt to force concessions on manning levels.

The complaint is echoed by Mr Colin Coventry, chairman of the waterfront employers' association, who says stevedoring companies have paid A$36m since the reform process began to dockers for whom there is no work.

These claims are rejected as a bargaining ploy by Mr Jon Linehan, the Australian Council of Trade Unions (Actu) officer responsible for the docks, who says continuing under-employment is caused by an economic slowdown.

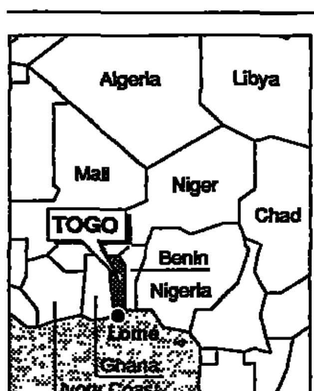
The union movement is pressing the government to take reform a stage further by increasing competition in stevedoring, which is dominated by three companies.

The companies counter that container prices have come down by around 25 per cent over the last two years. However, shippers say prices are still around 15 per cent higher than in New Zealand and 30 per cent above the US.

Senator Bob Collins, the shipping minister, says there is "cut-throat competition between the companies," but admits the government hopes new entrants will be attracted by the labour market reforms.

"People should not believe for a minute that the current waterfront reform programme is going to finish when the formal timetable has been achieved," he says.

"Regrettably, this is the first real attempt to achieve change in this industry in half a century. It has got to be made to stick."



Togo leaders appeal for foreign army help

By Stephanie Gray and William Keeling

TOGO'S interim government has appealed for foreign military aid to help ensure transition to "real and total" democracy, after an attempt by troops loyal to former ruler Gen Gnassingbe Eyadema to kidnap the prime minister.

In the past week, there have been three coup attempts. Up to eight pro-democracy supporters were killed in street clashes in Lomé after the attempted abduction. Fresh violence along tribal lines erupted last night in a suburb inhabited mainly by members of Gen Eyadema's Kabye tribe.

France was not mentioned but, as the former colonial power, the appeal was clearly aimed at it. The French government said yesterday no decision had been taken. It had noted the appeal from Mr Kokou Koffigoh, the prime minister, and was following developments "extremely closely".

France has intervened in Togo several times in support of Gen Eyadema who, after 24 years in power, was stripped of most of his privileges in August by a pro-democracy national conference which appointed Mr Koffigoh. On these occasions, however, the support was against threats from outside the country.

The army is believed still loyal to the general and is made up predominantly of members of the Kabye, his own ethnic group. On Tuesday night, Gen Eyadema broadcast a call for the soldiers to return to barracks, but no disciplinary measures have been announced and it is widely believed he had helped foment the unrest.

Western diplomats say the French government was split last March over whom to support in presidential elections in Benin, which borders Togo. They suggest some French officials had argued that support for Gen Mathieu Kerekou, leader of Benin for 18 years, who lost the election, should be continued.

Airport accord 'should bring HK, China closer'

By Angus Foster in Hong Kong

SIR David Wilson, governor of Hong Kong, said yesterday agreement on the colony's new airport should lead to an "*effective partnership*" whereby Hong Kong and China could consult and co-operate more closely.

"Sense and goodwill" could solve problems in the lead-up to the colony's return to Chinese sovereignty in 1997. Sir David was giving his annual policy address to the Legislative Council, now expected to become more vocal after last month's first partial direct elections. He urged newly-elected members to work with the government, and said the administration would also have to adapt.

His speech was not welcomed by the United Democrats of Hong Kong, the *de facto* opposition party which holds 14 of the Council's 60 seats. Mr Martin Lee, chairman, said it "failed to meet the expectations of the Hong Kong people".

Sir David was vague on the issue of more democracy for Hong Kong and said the Council should build up further experience before Britain went back to China to ask for more democratically-elected seats for the 1995 elections.

He angered labour groups by claiming Hong Kong's high inflation rate, at over 12.5 per cent, was mainly due to a labour shortage. The labour importation scheme should be expanded as work gets under way on the new airport, he added. This presages a noisy debate between the government and the Democrats, who oppose labour importation. A 4 per cent economic growth is expected this year, against 2.4 per cent last, Sir David said. He spoke little about the Vietnamese boat people, reflecting the sensitivity of talks between Britain, Vietnam and the US.

Zaire faces new obstacle

EFFORTS to form a crisis government in Zaire hit a new obstacle yesterday when prime minister-designate Etienne Tshisekedi said President Mobutu Sese Seko was demanding half the cabinet posts, Reuter from Kinshasa.

Mr Tshisekedi had been hoping to name a government tomorrow to end two weeks of tension in the central African country, devastated two weeks ago by riots in which 117 people were killed.

But after a second meeting with Mr Mobutu he said he could not be prime minister under such circumstances. Mr Tshisekedi said Mr Mobutu's Popular Revolutionary Movement (MPR) party was not entitled to 50 per cent of seats in a government formed by the opposition "Sacred Union" coalition.

"I cannot be prime minister of a new government with 50 per cent for the MPR and 50 per cent for the Sacred Union," he said.

India puts its Westland helicopters up for sale

By David Housego in New Delhi

A CONTROVERSIAL British aid project came to a sorry end yesterday when the Indian government confirmed that it was seeking to sell through a global tender 18 Westland-30 helicopters it had acquired from Britain.

The helicopters have been grounded since February when employees of the state owned Oil and Natural Gas Commission (ONGC) – a leading user of the craft – refused to fly in them fearing they were unsafe. Of the original fleet of 21 Westlands acquired from Britain under an aid grant, two crashed and one made a hard landing.

Mr Madhavrao Scindia, the minister of civil aviation, told a press conference in Bombay that the Westland helicopters had been beset with problems from the beginning. Westland and Rolls-Royce – which supplied the engine – have said that the main fault was inadequate maintenance by Pawan Hans, the Indian group that operated them.

Britain has still to give a response to India's request to sell them. Because they were funded by British aid, the Indian government is unable to hand them over to the armed forces – the obvious alternative customer.

The controversy over the Westland helicopter has resurfaced at an embarrassing time for Roll-Royce which is pressing for a reversal of an apparent Indian government decision to drop the British group as the supplier of engines for four new Boeing 747-400s being acquired by Air India.

Mr Scindia was the minister who decided to call for fresh bids from the US groups General Electric and Prattand Whitney after Air India confirmed the order would go to Rolls-Royce.

Malaysian PM warns against democracy-linked loans

DR Mahathir Mohamad, Malaysia's prime minister, yesterday urged governments of industrialised countries against extending conditions for aid and World Bank loans, Stephen Fidler reports from Kuala Lumpur.

Dr Mahathir, opening the annual meeting of Commonwealth finance ministers in Kuala Lumpur, said extending conditions for aid and loans into areas such as a country's record on human rights or democracy could end up hurting the people aid was designed to help.

He urged caution before "we twist arms in order to force democracy and all the other noble ideas and concepts down everyone's throats".

He told the meeting: "The World Bank is about to insist on new conditionalities for aid and loans. The Commonwealth should not just go along with the World Bank." Ministers "should appreciate the difficulties of the weak, the recipients of aid and the debtors".

He added: "Do not just hold back aid because of alleged breaches of human rights or whatever. Donor and recipient and possibly a third party should study best how to continue to give aid but control the breaches of human rights."

Several finance ministers urged a rapid agreement among industrialised countries over the Trinidad terms: the debt relief proposals for the poorest countries set out by Mr John Major when he was UK chancellor of the exchequer, at a meeting in Port of Spain, Trinidad, last year. There had been hopes that the London G7 summit would have resolved this in July. Attempts to approve implementation of the proposal in the Paris Club last month also failed. British officials have expressed "disappointment" that the proposals have not yet been agreed.

AMERICAN NEWS

US lenders and borrowers are already showing more caution

Credit moves meet scepticism

By George Graham in Washington

PRESIDENT George Bush's *efforts to encourage bank lending* by easing regulatory pressure have drawn a sceptical response from bankers and businessmen.

The package of measures announced this week is the latest step from an administration which has shown mounting anxiety in recent weeks over the slowness of the US economy's emergence from the recession.

But the attempt to relax the way regulators assess banks' property loan portfolios and to ease banks' access to capital appears a flimsy barrage against the greater caution shown by both borrowers and lenders.

The measures include:

- Lifting the ceiling on the amount of non-cumulative preferred stock which can be counted as Tier 1 capital for *the prudential ratios imposed* by the Bank for International Settlements (BIS). This will bring the US rules in line with other BIS members, and could slightly reduce the cost of capital for some banks.
- Guidelines aimed at encour*aging* banks to work with troubled borrowers and to make commercial property loans without fear of bank supervisors' retribution. These guidelines include urging supervisors to value property on its capacity to produce income rather than on depressed sale prices.
- A new process to allow bankers who think supervisors have been too harsh to appeal *directly to senior officials.*

But the administration may be barking up the wrong tree.

Although the growth of private debt has undoubtedly slowed – dropping to an annual rate of about 4½ per cent in the first half of this year, compared with an average of over 10 per cent a year in the 1980s – evidence of a credit crunch is patchy.

Surveys by the National Fed*eration of Independent Busi*ness show the difficulty of obtaining credit has changed little, concluding: "In short, no credit crunch, unless you deal in real estate or live in New England."

Mr Lyle Gramley, chief economist of the Mortgage Bankers Association, argues that not only are lenders more cautious, but borrowers, too, are unwilling to build up the levels of debt they accumulated in the 1980s. "There has been a sea-change in attitudes about both borrowing and lending," he says.

Nevertheless, some businesses have clearly had trouble finding credit.

*Mr Patrick Gotcher, presi*dent of Corphealth, a small business in Fort Worth, Texas, complains that banks are unwilling to lend to service companies like his because they lack tangible assets as collateral.

"We as a company have had to live out of our cash flow. It is a safe way to grow, but it is a slow way, and we have had to watch business pass us by," *he says.*

But Mr Gotcher adds that the government's Small Business Administration, which is meant to provide loan guarantees for growing businesses, is perhaps even tighter than the banks in assessing credit-worthiness.

To blame bank regulators for these credit problems, however, may simply be the easiest way of finding a scapegoat.

"The regulators are looking at balance sheets which will not support aggressive lending, so they are just doing their job," comments one congressional economist.

After focusing on income statements in the 1980s, he argues, *banks are now paying* closer attention to the quality of their balance sheets.

At the same time, asset values on these balance sheets have eroded, especially in the property sector, leading to what the New York Fed calls a "credit crumble".

What the administration is trying to achieve may be contained less in the content of the measures *it* is proposing *than in a general attempt to* boost business enthusiasm.

"What you want to try to do here is build confidence in the lending environment," said Treasury deputy secretary John Robson.

Haitians try to resolve differences

By Canute James

FACTIONS in Haiti's army tried to reconcile their differences yesterday as an interim president took office, replacing Mr Jean-Bertrand Aristide, who was toppled in a coup last week.

The army factions, which have disagreed on whether the exiled Mr Aristide might return, were trying to resolve their differences in the face of fears of a possible foreign military intervention in Haiti.

The split in the armed forces coup was demonstrated when one faction, opposed to the return of Mr Aristide, aborted a meeting between a mission from the Organisation of American States (OAS) and the junta led by General Raoul Cedras.

Despite the fears of the soldiers, the OAS is not yet considering immediate military *intervention,* as advocated by *some members.* It said its 34 members would impose economic sanctions.

The first telling sanction is likely to be a disruption of oil supplies by Venezuela, one of the first critics of the coup.

Castro in dilemma as communism crumbles

Lionel Barber on the embattled Cuban leader's and today's special Congress

PRESIDENT Fidel Castro opens a special congress of the Cuban Communist party today amid doubts that his 32-year experiment in Caribbean socialism can survive.

Abandoned by his former patrons in Moscow and iso*lated in his own hemisphere,* Mr Castro faces the worst economic crisis since he seized power. For the US, which has often dreamt of a Cuba without Castro, the elusive prize appears within reach.

Yet despite plenty of heated rhetoric – President George Bush calls the Cuban leader a relic and a Marxist renegade in every other foreign policy speech – the administration shows *little* appetite *for giving* the regime a final shove.

Last month, the US Treasury quietly lowered the legal limit of remittances *to* Cuba from $500 to $300 (£172) in any three-month period; it also limited the amount of money which Americans can use for travel to Cuba. But official reaction to congressional demands to tighten the US economic embargo is ambivalent. The administration seems to be betting on the regime tumbling of its own weight.

"The administration is just sitting tight," says Dr Gillian Gunn of the Carnegie Institute in Washington. "If they put on the big squeeze, they will inflame Cuban nationalism. The Latin American countries have said so. The result is that they do not want to tighten up at all."

Thus, the US State Department does not expect very much of this week's special party congress, and does not expect any US policy adjustment. Since Mr Castro has declared that the single-party system and socialism are not open *for* debate, it is assumed that the most likely changes proposed by the congress will be modest alterations in the state-run economy.

These alterations might include relaxing rules on agricultural co-operatives – but not individual ownership; and fresh appeals for foreign investment, sweetened by offers to allow majority ownership of Cuban businesses. Some privatisation of the service sector is also likely.

The Cuban leader's dilemma is that he needs to reform in order to preserve; but if he goes too far he risks unleashing the same revolutionary forces which toppled the communist regimes in eastern Europe in 1989.

What influence could the US bring to bear to secure a non-violent outcome?

In the absence of a lead from the administration, Congress has stepped into the policy vacuum. In addition to the usual bills seeking to tighten the embargo, Congressman Robert Toricelli, a New Jersey Democrat, is drafting a bill which combines a mix of carrots and sticks aimed at weakening the regime.

The bill would tighten trade restrictions on the subsidiaries of US companies in third countries *dealing* with Cuba, and may make it illegal for countries which import sugar from Cuba to sell sugar to the US. Yet the bill *also* exempts medicine and direct mail from the US embargo.

This is more imaginative than current US policy, which remains geared to Mr Bush's statement last May, on the 89th anniversary of Cuban indepen*dence.* On Radio and TV Marti – the Florida-based stations beaming into Cuba – he promised a "significant improvement" in relations if Mr Castro held democratic elections under international supervision, freed political prisoners and ended support for outside insurgents.

Yet this statement came *before* the failed putsch in Moscow which accelerated the break in Soviet-Cuban relations, highlighted by President Mikhail Gorbachev's announcement that he intended to withdraw the 2,800-strong Soviet "training" brigade in Cuba.

According to a senior US official, the new Russian political leadership is rabidly anti-Castro. The Cuban-American Foundation, which contains collaborators with the former Batista dictatorship, has been allowed to set up an office in Moscow; meanwhile, Russian President Boris Yeltsin's aides boast about an imminent end to all subsidised trade between *Moscow and Havana.*

Soviet oil shipments, already down 3m tonnes last year, are expected to slip from a planned 10m to around 7m tonnes. Hard currency is already necessary; by the start of 1992, the Russians want to move to full market prices.

Tough talk from Moscow may, however, be aimed at persuading the US that it deserves large-scale US financial aid. US officials point out that Moscow still needs Cuban sugar, and Cuba has been punctilious with its deliveries.

Yet the economic squeeze still presents the Castro regime with its gravest threat. *Low oil* supplies have prompted Cuba to import huge numbers of Chinese bicycles; shortage of fuel has upset training exercises for the 180,000 Cuban armed forces and damaged morale in the ranks. Without an improvement in the economy, President Castro's days seem numbered – as are his options.

As one US official put it: "Castro is psychologically incapable of change. But exile would be tantamount to defeat and humiliation."

US judge will try to refute harassment charge

JUDGE Clarence Thomas will tomorrow seek to clear his name of the charges of sexual harassment which this week blocked his bid to win confirmation from the Senate as a Justice of the US Supreme Court, George Graham writes from Washington.

Mr Thomas and Professor Anita Hill, the former employee who made the charges, will appear before the Senate judiciary committee in new hearings after the legislative body decided to delay voting on Mr Thomas's nomination for a week.

The issue has stirred a bitter debate between those who believe the mostly male Senate had failed to take Professor Hill's charges seriously and supporters of Mr Thomas who complain of a smear campaign.

The stakes are high both for the Senate, which has felt a tide of anger from women voters over its handling of the issue, and for President George Bush, who risks seeing his *choice for the vacant Supreme* Court seat torpedoed by the furore.

Mr Bush yesterday renewed his backing for Mr Thomas, offering "every bit of support we can muster".

"Judge Thomas is a man of honour and dignity. We believe in him and we believe his sworn statement yesterday denying allegations of misconduct of any kind," the White House said yesterday.

The Senate, meanwhile, *faced* the thorny task of hearing Professor Hill's allegations and Judge Thomas's rebuttals.

"This is not going to be an easy hearing to conduct," said Sen Joseph Biden, chairman of the judiciary committee, warning how difficult it was to ensure that hearings did not victimise the victim.

The charges have shifted public opinion about Mr Thomas's nomination, although he still appears to command widespread support in the country.

Professor Hill arrives at law school in Oklahoma escorted by two students

IMF WORLD ECONOMIC OUTLOOK

Cutting budget deficits 'vital to growth and high employment'

By Peter Norman, Economics Correspondent, in Bangkok

THE world's industrialised countries must reduce their budget deficits to pave the way for lasting growth and a sustained drop in unemployment in the 1990s, the International Monetary Fund says.

It also calls for faster progress in reducing trade barriers *and describes the failure to* conclude the Uruguay Round of multilateral trade negotiations on schedule last year as "a major setback".

In its latest twice-yearly World Economic Outlook, the IMF says it assumes the industrial nations will continue to exercise restraint in monetary policy – particularly necessary in Germany and Japan, where pressures on productive capacity, and excessive wage increases since unification last year in the case of eastern Germany, suggest a significant inflationary risk.

In countries such as the US and Britain, which are emerging from recession, the risk of an acceleration of prices appears small in the short run. But the IMF warns that the monetary authorities should "be prepared to tighten mone*tary conditions* at an early stage, particularly if the expansion proves to be stronger than expected".

The IMF's call for lower budget deficits reflects concern that reconstruction in the Middle East after the Gulf war, German reunification and the transformation of eastern Europe and the Soviet Union to market-based economies will strain the existing global pool of savings. Its projections suggest these new demands could amount to nearly $100bn (£57.4bn) this year, which would be equivalent to 0.6 per cent of the combined gross national product of the industrialised countries, and run at an average annual rate of $80bn between 1992 and 1996.

Without a commensurate rise in the availability of global savings, this increased demand could push interest rates up half a percentage point.

The IMF has focused on government consumption of savings because it believes the private savings rate will decline over the next five years. It also estimates that the industrial countries will need to lift investment in relation to GNP by about one percentage point by 1996 to maintain their average 2.75 per cent annual growth rate of the past decade.

The fund's calculations imply that full implementation of existing plans to reduce budget deficits is a minimum requirement to ensure that the increase in domestic investment needed to sustain growth can be financed.

In some countries – the IMF singles out the *US,* Germany, *Italy* and Canada – such an approach will involve considerable restraint on government spending. Although the Fund does not say so, governments will be faced with some tough political choices.

At one point the IMF suggests that some of the transfer payments associated with the integration of the Soviet Union and eastern Europe into the world economy could be financed by reducing military expenditures, provided this was matched by large Soviet cuts. A 20 per cent cut in the $460bn annual cost of military expenditure to the industrial countries would imply budgetary savings of $90bn a year. The abolition of farm support *measures in the industrial* countries would cut government outlays by $100bn. But these instances were given by way of example rather than policy advice.

Elsewhere, the IMF indulges in some straight talking to its member governments. It warns that the paucity of national saving is "the key policy issue" in the US. In the case of Germany, it says many of the subsidies to support investment in eastern Germany "are potentially an open-ended drain on the budget".

It tells the Italian government that its objective of reducing the central government deficit to 5.75 per cent of gross domestic product by 1994 from 10.74 per cent last year will involve a fiscal adjustment "that is considerably larger than assumed" because the *official plan is based on highly* optimistic growth projections.

Developing countries are also urged to boost their domestic savings and investment rates. The IMF calculates that those which have experienced problems in servicing their debt should increase domestic investment and savings rates by around 3 percentage points between 1991 and 1996.

But it admits that such an increase would represent "an extraordinary effort" on the part of many of these countries.

Another preoccupation of the IMF is the inability of negotiators so far to bring the Uruguay Round of trade liberalisation talks to a successful *conclusion.*

It says increased access to export markets is "an essential condition" for the successful transformation of the east European economies. Conclusion of the round "could represent the most important single contribution of the industrial countries to a favourable evolution of the world economy", it says.

It also worries about struc*tural problems in labour mar*kets that have contributed to persistent high rates of unemployment in Europe. It tells governments to consider training and retraining programmes, improved job placement services, reductions in minimum wages and reform of unemployment insurance systems.

The report reflects the IMF's growing confidence that prudent, *market-oriented policies,* with a strong counter-inflationary commitment, bring rewards for countries. At a press conference yesterday, Mr Michael Mussa, the IMF's chief economist, said there was *"clear evidence" that the IMF's* policies were beginning to bear fruit in Latin America.

In its forecasts for the world economy, which were widely leaked last week, the IMF sees growth of 4.75 per cent next year in developing countries. This is apart from the Soviet Union and eastern Europe, which the fund now categorises as developing countries.

Although the world economy will grow at its slowest rate in nine years in 1991, output is projected to rise by around 2.75 per cent next year.

Following this relatively modest rebound, the IMF's medium-term projections envisage real growth averaging 3 per cent a year in the industrialised world between 1992 and 1996. But these projections depend crucially on governments fulfilling their commitments and, in cases where an IMF plan is in place, following the fund's advice.

WORLD ECONOMIC OUTLOOK HIGHLIGHTS

	1990	1991	1992
Output*			
World	2.2	0.9	2.8
Industrial countries	2.6	1.3	2.8
Of which:			
US	1.0	−0.3	3.0
Japan	5.6	4.5	3.4
Germany (West)	4.5	3.1	2.0
UK	0.8	−1.8	2.4
Developing countries	1.0	−0.6	2.9
Of which:			
E. Europe and USSR	−3.6	−10.6	−3.9
E. Europe alone	−7.9	−12.0	2.1
Africa	2.1	3.2	3.3
Asia	5.5	5.0	5.2
Middle East	0.7	−4.0	11.2
W. Hemisphere	−0.9	1.2	2.2
Consumer Prices*			
Industrial countries	4.9	4.5	3.8
Of which:			
US	5.4	4.5	4.0
Japan	3.1	3.4	2.7
Germany (West)	2.7	3.5	3.5
UK	9.5	5.9	3.9
Developing countries	91.0	58.7	22.8
World trade volume	4.3	0.6	5.0
Unemployment rates†			
Industrial countries	6.2	7.0	7.0
Of which:			
US	5.5	6.8	6.3
Japan	2.1	2.1	2.2
Germany (west)	6.2	5.7	5.9
UK	5.8	8.5	9.5
EC average	8.7	9.3	9.5
Current Account ($bn)			
Industrial countries	−97.5	−33.7	−96.5
Of which:			
US	−92.1	−17.6	−92.0
Japan	35.8	62.7	59.4
Germany (West)	47.9	−8.1	9.4
UK	−25.7	−10.8	−12.3
Developing countries	−24.6	−103.8	−64.2

Annual changes in per cent. † In per cent. Source: IMF World Economic Outlook, October 1991.

Gloomy outlook for jobs and investment in UK

BRITAIN'S return to economic growth next year will be accompanied by a significant rise in unemployment and a continued fall in fixed investment by businesses, according to a report from the International Monetary Fund, Peter Norman writes.

In its latest half-yearly World Economic Outlook, the IMF forecasts that Britain's unemployment rate will average 9.5 per cent next year compared with an average of 8.5 per cent expected for this year and only 5.8 per cent in 1990. The IMF forecast implies that UK unemployment will average 2.72m next year compared with 2.43m in August, when the seasonally adjusted unemployment rate was 8.5 per cent.

Alone of the Group of Seven leading industrial countries, the UK will experience a decline rather than growth in employment in 1992. The IMF expects the number of people in employment to fall by 0.7 per cent next year after a 2.4 per cent drop in 1991. According to the most recent government figures, *some* 26.4m people were employed in Britain in March this year.

By contrast, the IMF forecasts that employment will grow by 1 per cent in all the G7 countries next year after staying virtually unchanged this year.

The Outlook also says the UK will be the only G7 country in which fixed investment by the business sector will fall in real terms next year. The projected decline of 2 per cent would be small compared with the 12 per cent drop expected this year, but it contrasts with IMF expectations of 3.8 per cent growth *of fixed investment in the* G7 as a whole in 1992, as investment in the US, Canada and Italy starts to grow again after falling this year.

The report makes clear that the recession in the UK will have been deeper than those in Canada and the US. It estimates a 3.5 per cent decline in real UK gross national product from peak to trough of the economic cycle, against a 2.8 per cent drop in Canada and 1.2 per cent in the US.

Its detailed projections for the UK economy therefore paint a somewhat more sombre picture of next year's likely economic trends than last week's leaked disclosures from an early version of the Outlook, saying the Fund was expecting the British economy to grow by 2.3 per cent next year.

In fact, the final version of the Outlook forecasts that output in Britain will increase by 2.4 per cent next year after a sharp 1.8 per cent decline this year.

The IMF projection means Britain can expect an economic growth rate next year that will be below those of the US, Japan and Canada, about the same as in France and Italy but higher than that in western Germany. The Outlook, which does not give forecasts for united Germany, says west Germany will be the slowest growing G7 country next year, with output projected to rise by 2 per cent after 3.1 per cent growth this year.

The IMF report is sparing in its advice to the UK government. It says *financial policies will need to remain* restrained if the government is to achieve its goal of bringing Britain's inflation rate into line with those of the low-inflation countries in the exchange rate mechanism of the European Monetary System.

It says Britain, like most European countries, should improve the efficiency of its labour markets to reduce unemployment. The report also contains an oblique criticism of minimum wage regulations, such as those proposed by the Labour party. It says a reduction in minimum wages "in several countries" would help reduce unemployment among young workers and so help them to improve their skills through on-the-job training.

WORLD TRADE NEWS

Iran plans £3.4bn update of its telecom systems

By Hugo Dixon

IRAN plans to put up its own satellite and install mobile communications networks in its main cities to transform its telecommunications infrastructure from that of a developing to that of a developed country.

Mr Sayed Gharazi, the country's minister of posts, telegraphs and telephones, told the Financial Times that he expected to finalise contracts worth DM10bn (£3.4bn) with foreign suppliers by the end of the year. Siemens of Germany and SEL, part of the French Alcatel group, which already supply Iran, are expected to get large shares of the contracts but other manufacturers such as NEC of Japan and South Korea's Samsung may also be involved.

The telecommunications development plan is an example of how Iran is seeking to integrate itself in the world economy after the end of its war with Iraq. It has also held discussions with Rover, the UK car group, about manufacturing vehicles in the country.

In what is one of the most ambitious schemes of any country to modernise its telecommunications facilities, Iran plans to:

- *Increase the number of telephone lines from 2.5m today to 6m in two year's time and 12m in 1996. As part of the first phase of this programme, it already has agreements with Siemens and SEL to supply it with digital exchanges and gradually transfer the technology to Iran.
- Launch a geo-stationary satellite for domestic communications and set up 10,000 small satellite earth stations, known as VSATs.
- Lay 20,000km of fibre optic cables to provide a modern long distance network.
- Set up mobile telephone systems in the largest cities.
- Establish a nationwide paging network.
- Use the International Maritime Satellite organisation's system for tracking lorries across the country.
- Renovate old exchanges and cables.

Mr Gharazi has been negotiating with suppliers at the Telecom 91 exhibition in Geneva this week. "They have declared their readiness and they are prepared," he said. "All that remains is the contract."

One potential supplier said he was sceptical whether Iran would be able to achieve the tight timescales it had set. He also doubted whether the country would be able to buy so much equipment for so little money. But Mr Gharazi said his policy was to make suppliers compete with one another. He said manufacturers often started by quoting prices much higher than they were prepared to accept.

He said the programme would be financed by a mixture of financing from suppliers and revenue from oil sales.

Bonn agrees Gatt farm strategy

By Christopher Parkes in Bonn

THE Bonn cabinet yesterday agreed on a strategy to help resolve differences over agricultural policy which have been blocking the Uruguay Round of Gatt talks.

Ministers will propose at an informal trade meeting in The Hague tomorrow that Gatt trading partners should undertake to dismantle their farm subsidy and export rebate systems over the next five years. Results would be assessed in the fifth year and, if necessary, negotiations would be held to decide on any further action.

"The way is now clear for a successful conclusion of the current Gatt round," Mr Jürgen Möllemann, economics minister, said.

The plan, accepted despite lingering objections from Mr Ignaz Kiechle, the agriculture minister, seems likely to increase tensions between Germany and France.

Asean presses US on Uruguay Round

By Lim Siong Hoon in Kuala Lumpur

THE Association of South East Asian Nations (Asean), led by Malaysia, was yesterday pressing the US for "flexibility" in liberalising services under the Uruguay Round of Gatt.

Of the various Gatt areas, services emerged most prominent in talks yesterday between senior Asean officials and Mrs Carla Hills, US trade representative. Her visit to Kuala Lumpur coincided with an Asean economic ministers' conference.

Mrs Hills had hoped to used the occasion to galvanise Asean support for US positions in the Uruguay Round, but found herself facing a "pro-active Asean", as decribed by Ms Rafidah Aziz, the Malaysian international trade minister.

Ms Rafidah said, after the talks, that Asean would like to see "services resolved which would provide a kind of flexibility. We must come up with a balanced resolution, satisfactory to all."

Mr Amaret Sila-On, the Thai commerce minister, also provided Malaysia's implicit backing when he said that the emphasis on agriculture was "unduly great", although most Asean countries are also members of the Cairns Group.

Among the Asean members – Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand – Malaysia has been one of the strongest opponents of any Gatt rule which encroaches on domestic market shares in sectors like finance and insurance.

The US has drawn up a list of 280 specific barriers which it thinks hinders market access by its services exporters. The list is subject to revision however. This is the first time that US and Asean have met at trade ministerial level specifically on Gatt issues. Mrs Hills' visit is also intended to widen the consensus on those issues through the auspices of the US-led Asia Pacific economic consultative group which includes Asean, Australia and Japan.

Spirit of the Lomé Convention threatened by 1992

One predication about the single market is that traditional suppliers will suffer, writes **William Keeling**

THE *EMERGENCE of the* Single European Market in 1992 is being viewed with trepidation by many developing countries. Predictions of how the market will affect Third World economies have ranged from "a much-needed shot in the arm" theory to a doomsday scenario.

The 69-member African, Caribbean and Pacific (ACP) group currently trades with the European Community under the terms of the Lomé Convention. The convention states that "no ACP state shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favourable position than in the past or present".

Whether that statement will be honoured has been placed in doubt by a recent publication, *Europe: 1992 and the Developing World* by Michael Davenport and Sheila Page. In the book the authors predict that the SEM will make EC nations more competitive. "This would mean," they write, "a further *redirection of trade away from* traditional suppliers and towards intra-EC trade".

The most far-reaching effect will be to dismantle bilateral trade relations between EC nations and countries with which they have had historical, often colonial, ties.

Ex-French colonies have, for example, enjoyed privileged access to the French market for horticultural and fishery products. As a result, little attempt has been made by these countries to diversify into new markets, neither have they dealt in a competitive setting.

The withdrawal of trading protection is likely to be most serious for ACP producers of bananas. Bananas are one of the most traded agricultural commodities in value terms in the world and a complex system of bilateral agreements governs their trade.

Britain provides a guaranteed market for unlimited quantities of bananas from the English-speaking Caribbean *and Surinam; similar guaran*tees are provided by France for Cameroon and the Ivory Coast, and by Italy for Somalia.

Production costs, however, differ wildly between producing nations and prices range from Ecu60 (£42) per 100kg for Windward Island bananas, to Ecu45 per 100 kilo for so-called "dollar bananas", those produced in Central and South America sold primarily to the United States through a free market.

Various new protective regimes have been proposed but all would be detrimental to high cost producers. For instance, if all quotas were lifted – but a 14 per cent EC tariff placed on dollar bananas – St Vincent would lose about 70 per cent of its banana export earnings; bananas currently account for 40 per cent of the island's export earnings.

Problems will also be encountered in the fish sector as the EC brings in new stan*dards on health and hygiene.* The principal ACP countries to be effected will be Mauritania, Senegal, Madagascar and Mozambique. Although new standards can be met, the problem will be available investment and technical expertise.

Similarly, investment in expensive plant will be required if Togo and Senegal are to address EC regulations limiting cadmium residues in fertiliser.

The effect of the SEM will not be wholly negative. Sectors which should benefit include coffee, tea and cocoa which provide the economic mainstay for many ACP nations. Excise duty on these, which stretch to more than 50 per cent in Germany for coffee and tea, are to be abolished.

In 1988, ACP exports of coffee to the EC were Ecu1.5bn and these should rise in line with the projected increase in EC world imports of coffee of 3.8 per cent as a result of tax harmonisation. Kenya, Rwanda and Tanzania, which produce *mild coffee beans, are expected* to benefit the most.

With cocoa, harmonisation of the EC tax regime is forecast to increase world prices by 1.8 per cent and EC import volumes by 1.4 per cent. The principal beneficiaries will be the *Ivory Coast, Ghana, Nigeria* and Cameroon. Under the SEM an expected 5 per cent uniform tax on tea should increase its price by 1 per cent and total imports by 0.2 per cent in volume.

The dismantling of historical ties between developing countries and particular EC nations may also end forms of unfavourable exploitation.

A study in the June 1990 issue of Finance and Development, published by the International Monetary Fund and the World Bank, showed that many African countries had all paid substantial premiums for strategic imports from their former colonisers.

Former French colonies, for instance, had paid an average premium of 24 per cent *between 1962 and 1987 for iron* and steel imports. The costs to the countries were in some cases equivalent to their foreign debt.

The year 1992, however, is unlikely to provide much succour for the ACP nations in *their trade with the EC.* Increased investment is required for developing nations to adjust their export sectors, but low commodity prices and debt have acted as a disincentive to investment flows from abroad.

With the terms of trade set to get tougher, the danger is that ACP countries will become more aid-reliant. Last year the Lomé IV convention was agreed, bringing with it Ecu12bn in aid over a five year period. Some states are already arguing that the allocation is insufficient for their needs.

Europe: 1992 and the Developing World, by Michael Davenport with Sheila Page. Published by the Overseas Development Institute, London.pp 130. £9.95.

NEWS IN BRIEF

German shipyards clinch Chinese container order

BREMER Vulkan, one of west Germany's biggest shipyards, is to co-operate with an east German yard to build three container ships worth DM600m (£206m) for Cosco, the Chinese state shipping line, writes Andrew Fisher in Frankfurt.

The order comes as east German yards, suffering from over-capacity and low productivity, are struggling for survival after the collapse of Soviet business. The east German industry once employed more than 50,000 people in shipbuilding and related activities. Bremer Vulkan is linking up with Matthias-Thesen-Werft, based in the east German town of Wismar. This yard is regarded as being among the best in east Germany.

The west German yard, based in Bremen, will build one of the big 3,800 TEU (20 ft equivalent units) container vessels itself for delivery in September, 1993. Matthias-Thesen-Werft will build the other two under contract for Bremer Vulkan, delivering these to Cosco in January and April of 1994.

Airport expansion plan 'senseless'

The planned expansion of German airport capacity would be a "senseless" waste of money, according to a study published in Frankfurt yesterday, writes Christopher Parkes in Bonn. Super jets with up to 1,000 seats and the new generation of trains would take all the strain, according to Mr Hans-Georg Ungefug, author of the report in FVW, a specialist newsletter.

He claimed that even if airport passenger numbers continued to increase by 3 per cent a year, by the year 2010 most German airports would be working at between 50 and 70 per cent of their present capacity.

With the continuing expansion of the European high-speed rail network, most flights of less than 600km would be superfluous, he said. Around half of the 14m people who fly around Germany each year could go more efficiently by train in future.

Alcatel technology for Australia

THE Australian Telecommunications Ministry has chosen French telecommunications giant Alcatel-Alsthom's mobile communications technology as the country's standard, Alcatel announced *yesterday, AP-DJ reports from Paris.*

In addition, a company spokesman said, Alcatel is "confident" that it will soon be awarded a contract to set up a mobile communications network, based on the Global System for Mobile Communications technology, in Sydney, Brisbane, and Canberra. Australia is the first non-European country to adopt the European standard for mobile communications. The spokesman would not give the value of the contract, but said it could amount to "tens of millions of dollars" and could also lead to mobile communications contracts for other Australian cities.

Italy's Indonesia dam contract

Impregilo, a subsidiary of Cogefarimpresit, the construction company controlled by Italy's Fiat group, has been awarded a $150m (£86.2m) contract for civil engineering works for the Singkarak dam in Indonesia, writes Haig Simonian in Milan. The deal, won in conjunction with the Dumez International subsidiary of France's Lyonnais Dumez group, is for the underground electricity plant at Singkarak, 40km north-east of Padang on the island of Sumatra. Finance for the project, which is expected to last around six years, has come from the Asian Development Bank.

CFM wins $400m engine order

CFM International received a $400m engine order from All Nippon Airways, AP-DJ reports from Evendale, Ohio. CFM, which is a 50-50 joint company of Snecma of France and General Electric, will provide All Nippon with up to 40 engines for the airline's five firm and five option Airbus Industrie A340 aircraft. With this order, CFMI and GE continue to supply a majority of engines for the Nippon fleet, with about 500 engines in service or on order.

UK NEWS

High-speed link on slow-speed line

Richard Tomkins finds grave doubts about when, if ever, the great project will begin

BRITISH Rail was leaving others to emit the howls of protests on its behalf yesterday, but there was no disguising the magnitude of its defeat over the planned high-speed link between London and the Channel tunnel.

Its immediate concern was that the route chosen by the government would produce only a fraction of the benefits offered by the corporation's preferred route. But more seriously, there are grave doubts about when, if ever, it will be built.

As things stand, the Channel tunnel is due to open in 1993 with a two-speed railway service between London and the nearest Continental capitals, Paris and Brussels.

In France, the Channel tunnel expresses will run on purpose-built tracks at speeds of up to 200mph. But on the British side, they will slow to a crawl as they mingle with commuter trains on existing tracks.

BR has been trying since 1987 to win the government's permission to build a new, faster line to the Kent coast to speed up continental trains after the Channel opens.

Two obstacles have stood constantly in its way: first, the objections of home-owners in this densely-populated part of south-east England, and second, the sheer cost of building Britain's first new main-line railway for nearly a century.

Both factors have proved powerful deterrents to decision-making. The Treasury has never been convinced of the need for a high-speed line in the first place, and the government has been acutely sensitive of the vote-losing potential of proclaiming a route.

Thus, the government rejected the route first proposed by BR in 1989. When a joint public/private sector consortium came up with a scheme following much the same route last year, it rejected that too. Finally – or so it seemed – it asked BR to go away and study all the possible options so that a decision could be taken this year.

BR did so, and told the government in June that the route it had always preferred was the best one. That, perhaps, was unsurprising: yet its argument was a persuasive one.

What BR did was to reinforce the financial case for the line by extracting the greatest possible domestic benefits. It drew up plans to use the line not just for high-speed international passengers, but for *high-speed Kent commuters.*

On the international side, the line would cut 30 minutes off travelling times to Paris and Brussels, with half the trains serving the London terminal, already being built at Waterloo, and half serving a new terminal to be built at King's Cross.

On the domestic side, *high-speed suburban trains* would join the line from Ashford and a new station called Mid-Kent Parkway. They would also come from Tonbridge and Sevenoaks to join the line near Swanley. Most importantly, those suburban trains would give workers a much wider choice of destinations than King's Cross or Waterloo, because a spur would take some trains up the Thameslink cross-London line into the heart of the city.

In transport terms, the government's chosen route is a poor substitute. Although it matches BR's preferred option in saving 30 minutes on international train timings into King's Cross, half the international trains will still go into Waterloo. To get there, they will have to branch off the high-speed line on to existing lines at Medway, so the time saving will be only 13 minutes.

The gains for commuters are fewer still. The line will do nothing for the 15,000 commuters who had stood to benefit in Tonbridge and Sevenoaks. Commuters from Ashford and the Medway towns will be served by the line, but their choice of destinations will be limited to Stratford and King's Cross, where relatively few of them wish to go.

The government was arguing yesterday that broader issues were at stake than the transport one. What it left unexplained, however, was how a line less attractive than BR's could be financed.

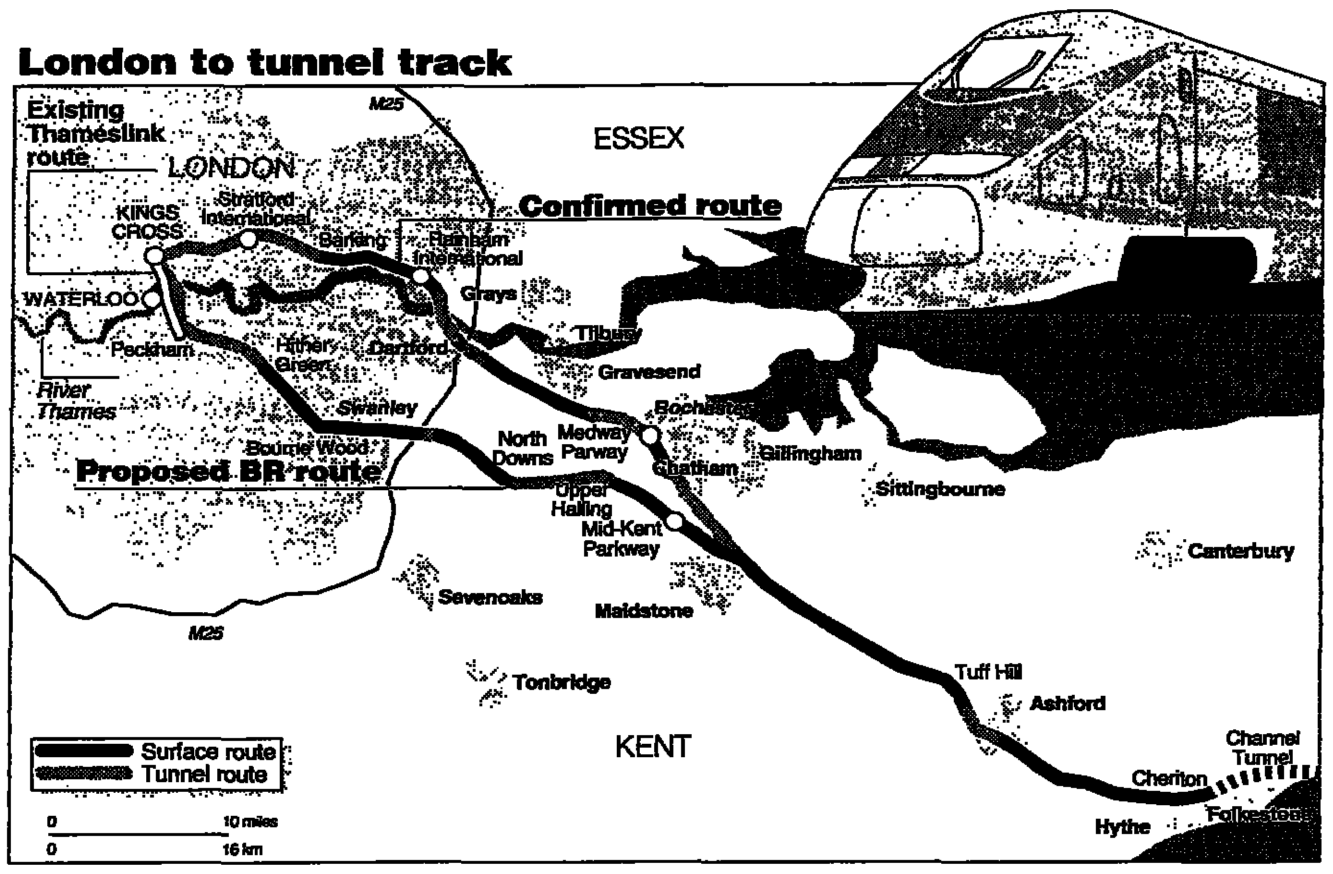
When the public-private sector consortium came up with a scheme similar to BR's last year, it concluded that the only way of making it financially viable would be for the government to hand over nearly £2bn *in grants and cheap loans.*

The government is now saying that it wants the Stratford route built with private finance. But the Stratford *route, at £4.5bn, costs £500m* more than the BR route and will capture £285m less in user benefits because of the smaller number of passengers it will serve.

It is hard to escape the conclusion that the private sector, if it is ever invited to fund the line, will find the project as incapable of yielding an acceptable rate of return as it did last year. That would leave BR as the only body pushing the proposal forward: but with BR itself due to be broken up under the government's privatisation plans, its ability to do so looks uncertain.

Sir Bob Reid, BR's chairman, was putting a brave face on the affair yesterday, but provided a *fitting postscript* with the words: "It's a shame we can't get an integrated transport solution in place that makes sense for the 21st Century."

London to tunnel track



BRITAIN IN BRIEF

ICL wins defence contract

Britain's Ministry of Defence (MoD) is going ahead with a *controversial* £250m office automation programme despite objections from senior staffwho believe the money could be better spent on new frigates or other weapons.

The contract for the fixed price programme, known as the Corporate Headquarters Office Technology System or Chots, has been granted to a consortium led by ICL, the UK-based computer manufacturer in which Fujitsu of Japan has a majority stake.

It is the largest contract ICL has been awarded as prime contractor. Implementation will be phased over five years.

Ford to cut 1,000 jobs

Ford is to shed at least 1,000 more jobs at plants throughout the UK over the next three months, bringing the total lost by the company to nearly 2,000 since the start of this year.The company has a UK work force of just under 30,000.

The move comes against the background of a reduced market share for Ford within a severely depressed new car market, and sharply reduced output levels at its worst-hit plant, Halewood on Merseyside. A Ford spokesman said yesterday that the latest job losses formed part of a rolling programme first indicated to its unions at the beginning of the year.

Results, Page 21

Ericsson wins PCN contract

Ericsson, the Swedish telecommunications equipment manufacturer has won an order worth more than £100m to set up what is likely to be the first in a new generation of mobile telephone services in the UK.

Ericsson will install the first phase of the infrastructure to establish a personal communications network (PCN) for a joint-venture between Mercury Communications and Unitel, the mobile telecommunications consortium.

The Swedish group fought off intense competition to win the order to provide switches and radio base stations. Much of the equipment will be manufactured in its UK factories.

Ericsson will supply all the switches for the joint-venture will order as its extends its network. This should account for about a fifth of the £800m cost of installing the entire network. Further orders for base stations will be put out to tender but Ericsson will be in a strong position to win them.

The deal is a blow for Motorola the US telecommunications group which is Ericsson's leading international challenger in the market for mobile telephone equipment.

Management pay rises 8.9%

Management pay rose by an average of nearly 9 per cent in the last year, but showed a sharply declining trend in *recent months, according the* Reward Group's management salary survey.

Basic pay rose by 8.9 per cent in the year to August, and total pay by 8.8 per cent, but at the start of the period salaries were increasing by 9 to 10 per cent. In the period from January to March the range of settlements fell quite sharply and have been falling even more quickly recently.

The latest analysis of settlements indicates that management deals made between April and July averaged 7.5 per cent, and the same companies expected an increase over the next 12 months of only 5.9 per cent.

Optimism in engineering

There has been a surge of optimism over prospects for the British engineering sector, according to a survey among 420 senior managers and engineers.

But the survey, conducted by The Engineer magazine, *emphasises that although* growing numbers of engineering businesses believe the worst may just about be over, orders remain depressed and investment levels are static.

Almost one-third of the managers and engineers questioned, said they believed the recession had either ended or would be over by the year-end.

Labour queries school tax

Mr Jack Straw, the Labour opposition's education spokesman, has asked Mr Norman Lamont, the chancellor, to clarify rules on the payment of Value Added Tax (VAT) by schools, following a report in the Financial Times that Hertfordshire County Council faces a bill for underpayment of VAT on income from school trading activities.

He said: "Schools have not paid VAT in the past on incidental trading activities. I can see no reason why they should now."

Customs and Excise said the implications of the Hertfordshire case were unlikely to be widespread, since the county's schools were unusual in passing revenue on to the council. For schools accounting separately, receipts from tuck shops and ticket sales would be unlikely to take them over the £35,000 barrier for paying Value Added Tax.

Straw: 'no reason for VAT'

Poor outlook on house prices

Britain's biggest mortgage lender, the Halifax building society, has admitted a "distinct possibility" that house prices will finish the year below 1990 levels.

The prediction is supported by its latest monthly survey showing a 0.8 per cent drop in the cost of a home during September.

British Gas faces threat

British Gas could eventually face competition in its lucrative domestic business if the government accepts a recommendation by the Office of Fair Trading (OFT) that the barrier for entry by competitors to the market be reduced.

The large oil companies that compete with British Gas are currently restricted to supplying customers which use more than 25,000 therms of gas a year – usually fairly large industrial users.

But the OFT is believed to suggest a progressive lowering of this limit to allow competitors to penetrate the market for medium-sized businesses and possibly even large domestic customers.

Deficit at convention hall

The new International Convention Centre, Symphony Hall and National Indoor Arena, completed in Birmingham at a cost of £230m, will have a combined operating deficit in their first year of £11.7m, according to Mr Barry Cleverdon, general manager of the International Convention Centre.

Tour bookings increase 33%

Lunn Poly, the UK's largest travel agency chain, said bookings for package holidays next summer were 33 per cent above the same stage last year, at about 200,000. Mr Ian Smith, Lunn Poly managing director, said the strength of demand was a clear sign that the British travel trade was coming out of the recession.

Share support 'well known'

Mr Olivier Roux, former Guinness finance director, told Southwark Crown Court it was well known in the City in 1986 that both the Guinness and Argyll, rival bidders in the Distillers takeover battle were managing their share prices and pushing them as high as possible.

That meant there had been a degree of artificiality about both bidders' share price, he added. He agreed with Mr David Hood, representing Lord Spens, that share support operations had been "a notorious fact" in bitter takeover battles at the time.

Lord Spens, the former corporate finance director at the Henry Ansbacher merchant bank, and Mr Roger Seelig, the former corporate finance director at Morgan Grenfell, are jointly charged with unlawfully conspiring to induce Distillers shareholders to accept Guinness's offer.

Mr Seelig also faces another charge under the 1958 Prevention of Fraud (Investments) Act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

British Coal denies pit plan

British Coal denied the existence of a government plan to close four out of five of its pits, with the loss of 40,000 jobs.

The denial follows reports earlier this week of a document leaked from NM Rothschild, the merchant bank advising the government on the privatisation of British Coal, said to contain a list of only 14 pits found to be saleable.

N-closures may 'save millions'

Britain could save several hundred million pounds by closing five nuclear power stations, according to a Greenpeace briefing document.

The paper adds to the heated debate over whether the five oldest Magnox style nuclear reactors of England and Wales, should continue to operate.

Nuclear Electric, the state-owned company operating the nuclear stations of England and Wales, maintains that closing its five oldest Magnox type reactors would cost more than keeping them open.

But the Greenpeace paper, commissioned from an independent academic, estimates that while Nuclear Electric would lose £670m in revenues from the Magnox stations, the cost to the nation of replacing the Magnox electricity would only be £360m.

Job cuts at Law Society

The Law Society, the solicitors' governing body, is to make 50 of its 600 staff redundant to meet a £3m shortfall in its budgeted revenue for 1992.

Mr Walter Merricks, assistant secretary general of the society said the shortfall, which amounts to between 8 and 9 per cent of planned net expenditure, had taken the society by surprise and was the first real evidence of the effect the recession was having on the profession.

Experts assess cost of blaze

Art experts are continuing to assess the damage caused by a warehouse blaze feared to have destroyed paintings and antiques worth up to £60m.

Experts from auctioneers Sotheby's, are visiting the west London art and antiques warehouse of James Bourlet and Sons, to find out which of their clients' possessions remain intact following Monday's fire.

Britain has appointed ambassadors to the independent Baltic Republics of Estonia, Latvia and Lithuania. The diplomats have already left to begin their postings in Vilnius, Riga and Tallinn. They are (left to right): Michael Peart, ambassador to Lithuania; Richard Samuel, posted to Latvia; and Brian Low, ambassador to Estonia.

DAY OCTOBER 18

Share support 'well known'

British Coal denies pit plan

N-closures may 'save millions'

Job cuts at Law Society

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Experienced hands mount these on a base of birchwood, and apply the characteristic highlights of hand-cut matchwood inlays. Then begins a three week ritual of sanding and polishing where pure elbow grease is still preferred to bleach and stains.

Once in place, it presents the passenger with a perfect mirror image of the lustrous expanse of walnut surrounding the driver. An opulent theme generously repeated throughout an interior where even the unique rear fold-down picnic tables stand as a tribute to generations of cabinet-makers' art.

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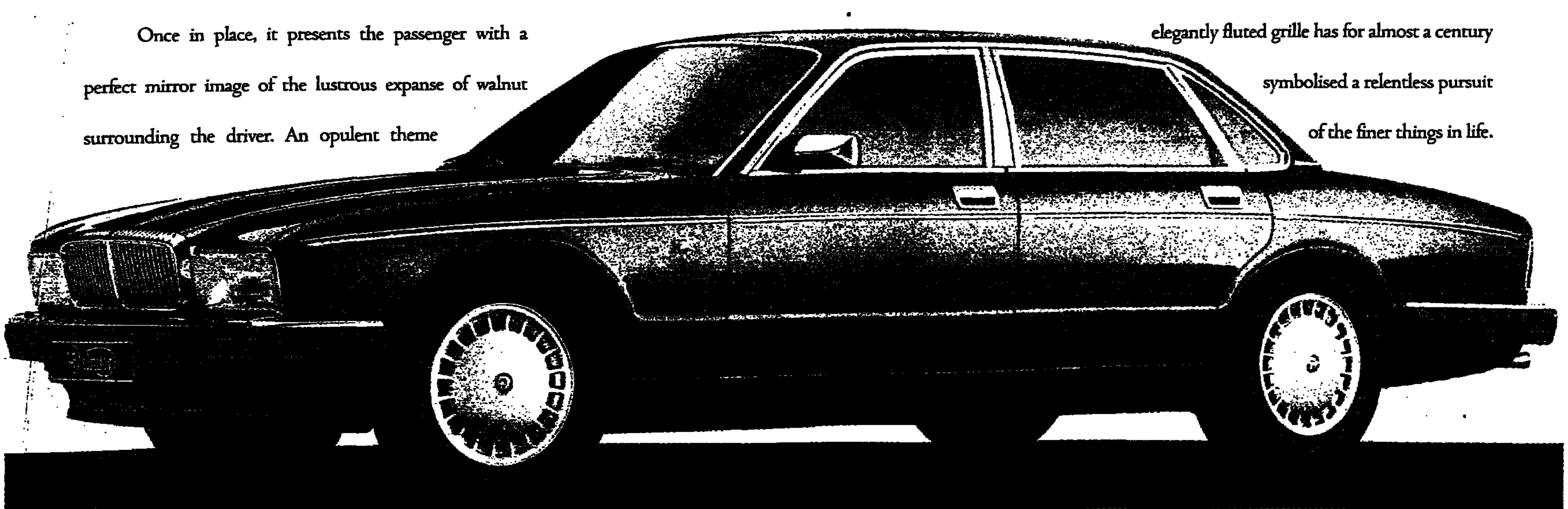
THE 1991 DAIMLER.



AS LONG AS THERE HAVE BEEN MOTOR CARS, THERE HAS BEEN DAIMLER.

Daimler

Tories put tax cuts at centre of election bid

By Philip Stephens, Political Editor

MR NORMAN Lamont yesterday put a pledge to cut taxes on income, savings and inheritance at the centre of the forthcoming general election battle as he offered a confident prediction of sustained economic recovery.

Speaking at the Conservative Party conference in Blackpool, Mr Lamont reaffirmed the government's determination to cut the basic rate of income tax from 25p to 20p.

He qualified the promise with a recognition that the the full reduction might take more than one parliament, but gave a clear signal that it would be accompanied by further tax incentives for savings and a reduction in inheritance tax.

In a fierce attack on Labour plans to increase spending and taxation, he said the opposition would need to put 10p on the basic rate of income tax to meet its pledges.

Emphasising that the Conservatives intend to fight the election on the central issue of economic competence he added: "After a spending binge, Britain would be dragged deep into debt. Inflation would rocket. And we would end up with panic spending cuts".

In one of the most important conference speeches of the week, Mr Lamont insisted that the economy was now coming out of recession: "What we are seeing is the return of that vital ingredient - confidence. The green shoots of economic spring are appearing once again."

The comments underlined the chancellor's confidence that the Treasury's forecasts of a return to 2 per cent growth in the first half of next year would be easily met.

He foreshadowed also another sharp fall in the inflation rate when the Retail Price Index for October is published tomorrow. With the figures expected to show the annual rate of price rises slowing from 4.7 to about 4 per cent, Mr Lamont said the Conservatives would make Britain a country of "permanently low inflation".

His optimism on growth, however, was not shared entirely by the International Monetary Fund which warned yesterday that Britain's return to economic growth next year will be accompanied by a significant rise in unemployment and a continued fall in fixed investment by businesses.

Editorial Comment, Page 18

Sterling fails to rally despite bank support

By Peter Marsh and Jim McCallum

NERVOUSNESS about the state of the UK economy and the fortunes of the Conservative party continued to depress the pound yesterday, in spite of action by the Bank of England to support the currency.

Dealers on foreign exchange markets reported lack of sustained buying interest in the pound, which has been weak due to unclear evidence about a rebound in the economy and reports of divisions in the Tory party on Europe.

In a jittery market, sterling was lifted fractionally by a confident speech by Mr Norman Lamont at the Conservative conference, and also by the Bank's operations on Tuesday night to buy sterling at around DM2.90.

Last night the pound finished in London slightly above this level, at DM2.9025, but down half a pfennig on Tuesday's close. At last night's level, sterling is about 5 pfennigs below its DM2.95 central rate in the European exchange rate mechanism, and roughly 4 pfennigs above its effective floor.

US credit crunch, Page 6
Lex, Page 20
Currencies, Page 38

Thatcher's emotional curtain-call has the audience crying for more

WHILE it must have been one of the most carefully managed moments in modern British political history, there was always the lurking danger that sheer emotion would send it flying beyond the party managers' control, writes Ivo Dawnay.

As ordinary Tory party members stretched and chatted between debates the tension was already palpable in the eyes of alerted security men. Then suddenly a flash of bright blue suit and a deep throated roar announced that Mrs Thatcher had arrived. The undefeated victor of three elections, the longest serving prime minister this century, the international myth and, above all else, the populist heroine of the party's grassroots was back among her people.

Her reception was more than a welcome home. It was a outpouring of passion. For many of the matricides – the MPs around the Empire Ballroom and the ministers on the platform – it was a high decibel public reproach for her downfall.

As a beaming John Major led his former leader to her place, the representatives in the body of the hall bellowed their appreciation with a fervour that betrayed a deep-felt grief. Despite the stage-managed entrance, designed not to upstage her predecessor, there was an instant sensation that one of the world's most disciplined, some might say deferential, political audiences was off the leash. It ignored a plea to sit down. Rhythmic handclapping began, cries of "Speech, Speech" were taken up and multiplied around the hall. To a clearly prearranged signal Mrs Thatcher sat down and the those on the platform followed suit.

But the conference was not having it. Like a patient schoolmaster in front of a classroom run amok, Sir Joseph Barnard, the chairman, tried again. "You may have noticed we are very pleased to see you," he said. "I now call on Michael How....." His words were lost as a defiant stamping.

It was up to John Major to break the impasse between platform and floor. Taking Mrs Thatcher once more by the hand, he presented her again to the hall to more jubilation.

Minutes later, raising his voice one more time above the hubbub, Sir Joseph announced: "I have received a message from Mrs Thatcher and she asks us to continue our programme."

By proxy, maybe, but the silent leader had spoken. The party leaders, the image makers, and conference organisers could at last breathe again.

Philip Stephens, political editor, tests the water at the Tories' Blackpool conference on economic and monetary union

Spirit of compromise blows towards Maastricht

THE government is searching for compromise – not with Mrs Margaret Thatcher but with its European partners. Despite his predecessor's objections Mr John Major is convinced he can sign a deal on Maastricht on Economic and Monetary Union.

There are still problems to be sorted out, notably whether the clause allowing Britain to defer a final decision should be a specific or general derogation. But as Mr Norman Lamont emphasised yesterday the drafts now on the table will allow Mr Major to insist that a single currency will not be imposed.

The view among senior ministers is that if Mrs Thatcher opposes the compromise, so be it. It will win the overwhelming support of the Conservative Party at Westminster, if not here at the party's Blackpool conference. Mrs Thatcher will have to decide whether she wants to risk a Labour election victory – and with it her political legacy – for a campaign which will be backed by at most 20 MPs on the Conservative benches.

It is political union which is exercising the minds of senior ministers. The withdrawal by the Dutch presidency of its "federalist" blueprint has signalled the beginning of an intensive exercise to see where a deal can be struck.

It began last week with a lengthy meeting of all those members of the Cabinet with responsibilities affected by the Maastricht summit. Only two - Mr Michael Howard and Mr Peter Lilley - dissented from the view that it was time to explore in detail those areas where the government might compromise.

John Major leads the applause for his predessor Margaret Thatcher, who yesterday made a carefully stage-managed appearance at the party conference.

It did not need much reading between the lines of Mr Douglas Hurd's speech to the conference to discern that the Foreign Secretary sees compelling reasons to avoid a breakdown at Maastricht.

In a brief but central observation he remarked that the US no longer has the "appetite or the ambition to police the world". Yugoslavia proved the point. Washington expected regional organisations - in this case the European Community - to settle regional disputes.

Mr Hurd is not prepared to see the replacement of the NATO defence framework with the European alternative by the French. His recent talks in US have convinced him, however, that the American umbrella must complement not substitute for much closer European co-operation. The focus of political concerns in Washington is switching to domestic issues.

Britain had the right to chose a separate policy towards the Soviet Union, the Baltic States and towards Yugoslavia, Mr Hurd declared. But in reality that would be show and gesture. To be effective it had to act as one of 12.

None of this means that the foreign secretary can or will accept proposals for majority voting on foreign policy or defence issues. He is as convinced as ever that even if he could sell it to the Tory party it would simply not work. What he wants instead is a common foreign policy by consent.

The other central area of dispute in the intergovernmental conference on political union – the authority of the Community's institutions – is a minefield. Mr Major will not feel comfortable recommending to Tory MPs that the Commission's competence be further extended into areas such as health and education.

Majority voting on the social charter is simply anathema. Handing authority to Brussels to unravel Mrs Thatcher's legacy of trades union reform would be tantamount to offering the task to Labour. Ministers believe that the whole process of negotiations could yet founder on this single issue.

But the stage has been set for modest compromises in other areas. Mr Hurd last week explained to his colleagues that the shorthand description – co-decision – of plans to extend the powers of the European Parliament is less threatening than it sounds.

None of the texts so far presented suggests that the parliament be given the power to implement or amend legislation. Instead the discussion is concentrating the extent to which the parliament should hold a veto.

Mr Hurd thinks there is room for negotiation. Nor is opposition to majority voting completely sacrosanct. Ministers, it seems, would be ready to see its extension to environmental issues.

This falls far short of the ambitions of Chancellor Helmut Kohl - the pivotal figure at Maastricht - and yet will cause irritation on the Tory right.

For the moment, however, Mr Hurd is unwilling to accept that reaching agreement will be impossible rather than simply difficult.

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MANAGEMENT: Marketing and Advertising

Kitsch for starters in the farmhouse kitchen

Emma Tucker explains how Forte restaurants have bucked recession

One of the assumptions made in a recession is that restaurants do badly as discretionary spending on eating out dries up.

So they undoubtedly do, especially at the top end of the market. But those more downmarket chains which are perceived to offer good value for money have been well placed to ride out the worst of the downturn.

The Harvester chain, for instance, part of the Forte leisure group, claims that covers served have increased by 3 per cent since January compared with last year.

A "farmhouse atmosphere" complete with mechanical Worzel Gummidges, pots and pans on the ceiling, and a salad "cart", may not be to everyone's taste, but at an average price of £10 a head, Harvester restaurants have remained popular.

The combination of what the PR people call the "reassurance of a qualitative experience" with mid-range prices has, according to Forte, attracted those trading down who are not prepared to take the risk of visiting an unknown restaurant and also those at the lower end of the market trading up by eating out less often.

Forte also claims that Harvester's wholesome yet modern image has brought the chain into line with current eating habits compared with the red-meat associations of traditional steak-houses. The established steak-house sector dates back to 1959 when Berni Inn was launched. Today it is dominated by brands such as Beefeater, Toby Grill, and Porterhouse.

Despite the recession, the long-term trend towards discretionary eating out augers well for such middle market restaurants. Eating out was one of the fastest growing leisure pursuits of the 1980s. The Henley Centre has forecast that the value of the market in the UK will, at current prices, reach £24.9bn by 1996 compared with £14bn in 1989.

Tony Monnickendam, managing director of Forte Restaurants, is convinced there is strong potential for growth.

"I think McDonald's has done a great job in this market by introducing a whole range of consumers to the habit of eating out and using restaurants at a young age. As their tastes mature, they move up through the market," he says.

The Harvester chain, launched in 1985, was a late entrant to the market. It has 79 outlets across London and the South East, Wales, the West and the Midlands. This represents 10 per cent of steak-house restaurants but it claims a 20 per cent market share.

The company's aim from the beginning was to present a specific image through the creation of a brand. "We came at it from the point of view of 'let's create a brand for the retail market'," says Darrell Stocks, managing director of the Harvester chain.

The marketing team came up with the idea of a reassuring, rural, "whimsical" atmosphere; cosy interiors, hoes and watering cans; waitresses in green dungarees and menu items such as "pitchfork" (lamb kebab). The restaurants were attached to neighbourhood pubs converted to the farmhouse theme. "The name Harvester linked it all together," says Stocks.

Another aim was to encourage people into the restaurants during the least busy times of the week. "We had all this space at lunchtime and we wanted to fill it so we looked at who was around during the day," says Monnickendam.

An "early-bird" scheme was launched which offered discounts for people who arrived between 5.30pm and 6.30pm; over 55-year-olds could apply for a "privileged guest" card, which entitled them to one-third off the price of their meal.


The marketing team came up with the idea of a reassuring, rural, "whimsical" atmosphere for Harvester restaurants

This, says Monnickendam, has been much copied. The Whitbread-owned Beefeater chain now offers an "emerald card" to over 55-year-olds.

Whitbread has been expanding its national influence with the purchase last year of the Berni Inn brand name and 150 outlets from Grand Metropolitan and now commands 32 per cent of steak-house outlets.

Like Harvester, Beefeater has focused on marketing as a means of increasing its share of a depressed market at the expense of its competitors.

As part of this effort, it has changed the name of 45 of its outlets to Beefeater Restaurant and Pub, rather than Beefeater steak-house.

"Our existing customers understand that a Beefeater is much more than steak," says Tye.

A radical policy from Lloyd's

Richard Lapper explains how the London insurance market is setting out to sell itself

Lloyd's – the tradition-bound London insurance market – is launching what is, for it, a revolutionary marketing drive. The move is aimed at reversing its declining share of specialised commercial insurance in which it specialises.

"The aim quite simply is to cut through the mystique surrounding the Lloyd's name," says Richard Hardwick of Citigate, the City public relations and marketing organisation advising Lloyd's on the campaign. Yet despite enjoying the advantage of what Hardwick describes as "the insurance industry's best known brand name", selling Lloyd's may be no easy task.

The campaign, which was announced last week, is being spearheaded by Andrew Duguid, the head of market services at the Corporation of Lloyd's, the body which provides back-up to a market consisting of more than 300 underwriting syndicates – groups of individuals whose capital backs the market – and more than 100 agencies which manage the syndicates and appoint underwriters.

At first glance, Duguid seems an unlikely marketeer, having joined Lloyd's from the Civil Service to take over direction of the Corporation's internal regulation division in 1986. But his background is in advertising; he used to work for S H Benson, an agency subsequently taken over by Ogilvy & Mather. The current drive seems modest – Duguid has a team of around five, an annual budget of £2.5m and help from Citigate.

Traditionally Lloyd's underwriters and the agencies that manage them have waited for business to be brought to them by brokers. Independent marketing initiatives by agency groups have been few and far between. Reg Brown of Octavian, an agency group that has recently set up offices in Leeds and New Jersey in a bid to win more business, says: "It is dawning on Lloyd's that you've got to get closer to the market."

At times, the authorities at Lloyd's have seemed almost to discourage sales initiatives. Rules governing the registration procedures for Lloyd's brokers – the only brokers allowed to bring business directly to Lloyd's – appear limiting. Until last summer even the use of the market's crest and coat of arms by Lloyd's agencies and brokers was hedged with restrictions.

Yet Lloyd's needs to sell itself more aggressively because it is losing its share of the international market for specialised commercial insurances which it once dominated.

Once a unique market for the insurance of unusual risks, Lloyd's now has dozens of competitors among leading international companies. Some of the most businesslike agency groups have recently developed their own marketing initiatives to win business.

As well as Octavian, companies like Sturge Holdings and A J Archer have set up their own service or marketing companies. Sturge established an office in Paris last year while Archer has a Copenhagen operation. Duguid's campaign aims to give centralised backing to this type of initiative and encourage other agencies to take similar steps.

Although Lloyd's eventually aims to expand the campaign into Europe and the US, the campaign will for the moment be focused on the UK market where Lloyd's believes that its liability insurance policies – covering professionals such as architects, accountants and company directors and officers against legal liabilities – are potentially attractive to small and medium-sized businesses.

Lloyd's already has around 17 per cent of the liability insurance market, for example. It will also attempt to increase its market share of motor fleet business – Lloyd's underwriters already underwrite about 13.5 per cent of the UK market for ordinary motor insurance – and of specialised life insurance policies like key-man insurance which insures a company against the loss of, for example, a key manager.

Marketing brochures have been sent to retail brokers throughout the country in the hope that they will channel more business to Lloyd's if they are made more aware of the type of policies the market can provide. Later this month a £300,000 advertising campaign, emphasising the flexibility of Lloyd's insurance policies, will begin with advertisements in national newspapers and the trade press.

Hardwick says: "Most UK businessmen have heard of Lloyd's but that does not necessarily mean that they believe Lloyd's is relevant to them."

Outside London, there appears to be little knowledge about the way in which Lloyd's has developed specialised commercial insurances. Duguid is organising a series of seminars with local brokers, beginning with sessions in Birmingham and Bristol this month.

The difficulties faced in launching the initiative seem substantial, not least because of continuing suspicion within the highly fragmented market of any initiative taken by the corporation. "Quite frankly there is a number of people who don't believe that this is going to work," says Hardwick.

Preppy products through the post

John Thornhill on US mail order in the UK

Preppy expatriate Americans can now relax: Lands' End, the upmarket US mail-order company, has arrived in the UK.

Full-page advertisments for the company's range of Hyde Park Oxford button-down shirts, Square Rigger attaché cases, and Squall jackets are already appearing in the British press. "We're Lands' End, direct merchants from America. May we introduce ourselves to you properly?" the quirky advertisements run.

The language is deliberately Americanised (or should it be Americanized?). The product range is narrow. The emphasis is on quality and service. The advertising style is homely.

Depending on your point of view and mood, you are either likely to warm to the approach or want to grab the copywriter by the throat. Here, for example, is how the company describes its origins:

"By some process of divination known only to him, our founder located Lands' End headquarters in a small community in Southern Wisconsin, USA, on the outskirts of a village called Dodgeville.

"Surrounded by rich agricultural land – dairy country as well – the earnest farmers and industrious citizens of Dodgeville live lives that respect the eternal verities – honesty, industry, integrity and loyalty – blended with a large helping of humility and a seasoning of wry good humour."

Whatever else it may be, the approach is certainly a far cry from the somewhat fusty image of traditional mail-order catalogues offering a range of shapeless corsets to elderly grannies.

But behind the media gloss lies a careful 18-month study of the European market. Lands' End was already receiving many orders from the UK. "But the problem was that you had to pay for the telephone call, the distribution costs and duty. We have made it much more user-friendly," says Justin Metcalf, managing director of Sterling Marketing, which handled the introduction of Lands' End to the UK.

The company has set up a distribution centre in Camberley, Surrey. Orders are accepted over a freephone telephone line and despatched to the customer to arrive within 10 days. Returns are accepted "for any reason, at any time".

Although it is only initially offering 17 products, Lands' End promises an extensive range of sizes and colours. For example, a button-down shirt may come in 15 to 20 colours and 30 different sizes.

Many of the company's products have a nautical feel – a leftover from the group's origins as a yacht store. Founded in 1963, Lands' End expanded rapidly into direct merchandising and increased its sales from \$16.5m (£9.4m) in 1980 to \$604m last year.

The £4bn UK mail-order market is still dominated by four big players: Great Universal Stores, Littlewoods, Freemans and Grattan. All these companies, however, are moving away from their traditional reliance on agents selling goods for commission towards more cost-effective direct mail techniques.

However, the sector is in the midst of great upheaval. Earlier this year, the ailing Next sold Grattan to Otto Versand, the giant German mail-order retailer, and Littlewoods' mail-order arm has also been put up for sale. The hot rumours suggest it may be bought by Quelle, another leading German retailer.

Other overseas mail-order groups have moved into the UK market including L L Bean, the long-established US mail order group and great rival of Lands' End in its home market.

But Lands' End believes it can avoid direct competition with the "big boys" and can also expand the UK market in the process. "We are positioned far away from the traditional mail -order businesses. We are a niche marketing company giving a more defined offering and service. We are going for a slightly more sophisticated market and hope to attract some new people to mail order," says Metcalf.

In time, Lands' End would like to expand in mainland Europe although Metcalf believes "the concept of pan-European mail order is still a number of years away".

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FINANCIAL TIMES SURVEY

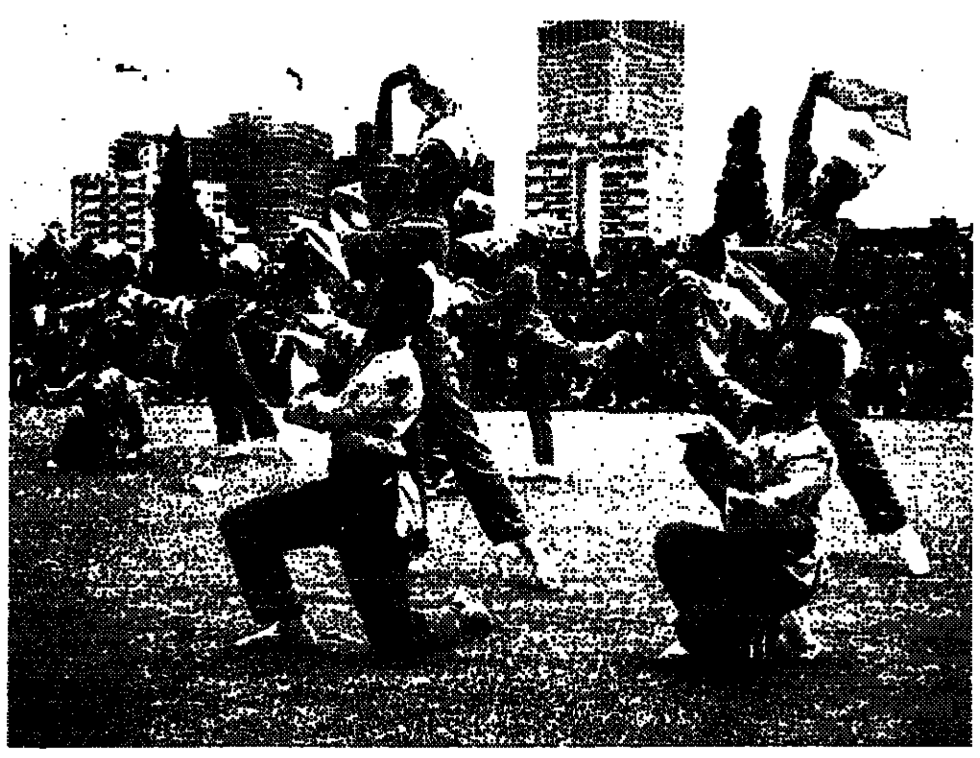
TAIWAN

New pressures on overseas trade **Page 3**; science parks and tennis racquets **Page 4**

Thursday October 10 1991

Taiwan is coming to a crossroads in its ties with China. After the decades-old vendetta with the Communists, Taiwan, bastion of the old Nationalists, is torn between rapprochement with China and an urge to make its own way in the world, writes **Peter Wickenden**

The last lap to reality



Young Handkerchief Dancers of Taiwan: a generation with its own identity

TAIWAN IS an economic powerhouse, an important source of foreign investment in the rest of Asia and an emerging democracy, but its people are increasingly unsure of just where their island belongs in the aworld.

They are questioning the relevance of their government's attachment to the hope of again becoming the rulers of China, from which the Kuomintang (KMT) Nationalist armies were driven by the Communists in 1949. Instead, younger Taiwanese, who tend to see the veteran KMT rulers as outsiders from the mainland, would like their island to redefine itself as a separate, independent sovereign state with its own Taiwanese identity.

What really clouds the issue is that this *could* cause outrage in China which regards Taiwan as a lost province. Although Beiing has recently lost some of its international prestige, its influence in Taiwan is steadily increasing.

This has coincided in the past year with a breakthrough in relations between China and Taiwan after the rivalry and bitter estrangement which have separated them over the past 42 years. Glossing over its fictitious role as the lawful offshore government of all China together with Outer Mongolia, the administration in Taipei, the Taiwanese capital, has finally recognised Beijing as a political entity and has asked the Communists to return the compliment.

And in spite of its longstanding policy of "no official contact, compromise or negotiation with the Communists", Taipei has already breached this triple taboo in the course of solving a number of bilateral disputes with the mainland.

Taipei has also formally renounced the use of force against the Communists, a gesture which has not, however, been matched by Beijing.

Mr Hau Pei-tsun, the conservative and staunchly anti-communist premier – who was born on the Chinese mainland – portrays such moves as the fruits of internal democratisation rather than a simple admission of reality. His foreign minister, Mr Fredrick Chien, even insists that there has been no real improvement in relations with China or any reduction of tension across the Taiwan Strait, over which the two sides have for so long glared menacingly at each other.

Indeed Taiwan says China will have to carry out a list of radical changes before Taiwan can even consider discussing reunification with it.

These terms are set out in a grandiose document known as the "National Unification Guideline".

In it, Taiwan demands room to breathe internationally, democracy in China, a binding renunciation of the use of force and other far-reaching measures.

At best, the Guideline has served to keep Beijing satisfied that Taiwan is not about to declare independence (which would invite a Communist invasion), or to suspend the proliferation of semi-official links. It also permits Taiwan to display some bargaining chips while it does some more hard thinking.

Had they seen the Unification Guideline in these terms, radicals in the opposition Taiwan's Democratic Progressive Party might not have reacted so fiercely by drawing up their own explosive "Draft Constitution for the Republic of Taiwan". In their campaign for the National Assembly elections to be held at the end of this year they champion independence for Taiwan and the abolition of the laws which classify such a call as sedition.

There is some public sympathy for revising or scrapping the sedition laws, which effectively limit freedom of speech and are regarded by the opposition as a breach of human rights.

Indeed, in a rare show of efficiency and cross-party unity, the legislature quickly scrapped the death penalty for sedition when a student was arrested for promoting independence earlier this year.

However, the DPP's decision to campaign on the Taiwanese independence ticket is a non-starter. It presumably believes the majority of the general public would immediately back independence if the sedition laws were repealed.

But the DPP has overlooked the widespread fear that China might carry out its threat to over-run Taiwan if independence were declared. The KMT also plays on this fear, suggesting perhaps that it does not actually want Beijing to renounce the use of force.

The DPP's move toward independence was also inextricably linked with its campaign for wider democracy in Taiwan. But here it has been outflanked by the KMT's programme of reforms. Thanks largely to the DPP's campaign, the KMT has travelled further down the road of reform than anyone expected.

DPP moderates, including some who support unification with China, criticise their party for its continued use of violence and abuse in parliament and question whether it is serious about taking over as Taiwan's of ruling party. The party's political rallies this year have mostly been poorly attended.

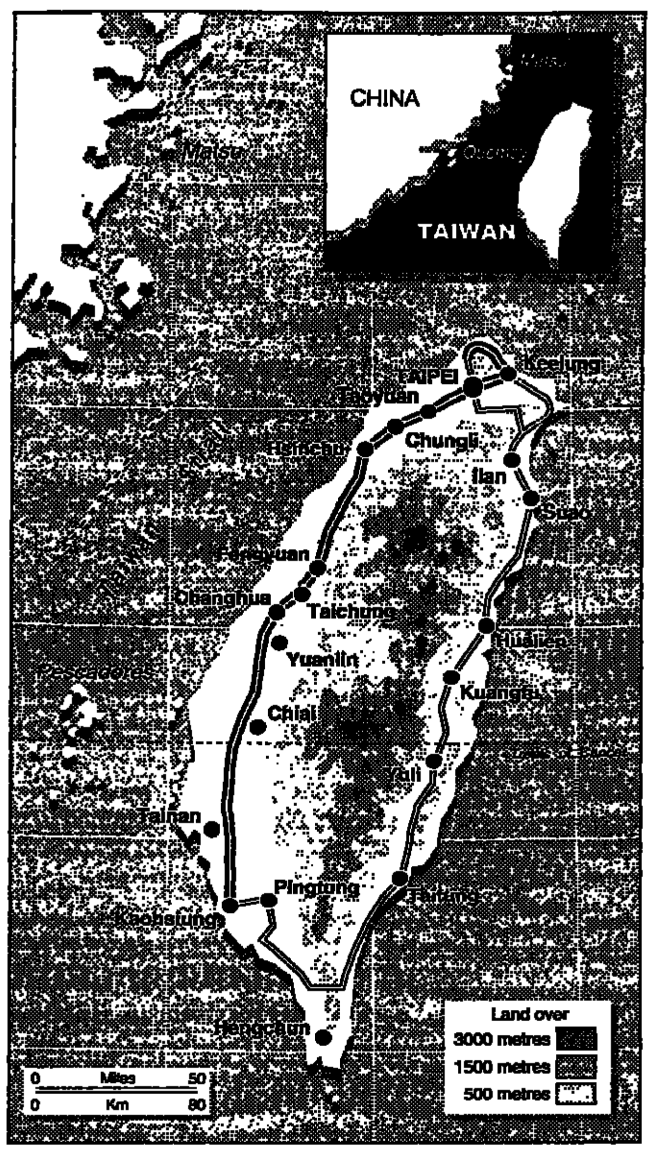
In the absence of a credible centre party, the KMT is able to represent a wide range of public opinion. The Old Guard of the civil war generation is about to disappear from the National Assembly and a new assembly will be elected.

Next year, there will be a new parliament filled for the first time with members born not on the mainland but in Taiwan itself.

To maintain the fiction that the government's writ covers the whole of China, some of the Taiwan-born members in both these bodies will still nominally "represent" unspecified parts of the huge mainland. But with the demise of the last of the veterans who established their power here 40 years ago, the last real link with those days will be broken.

The process of installing a truly local government, leading to Taiwan's first real presidential election in 1996, will thus further highlight the island's separate political identity and further consolidate the KMT as a legitimate ruling party.

On the economic front, however, the government is increasingly concerned at the degree to which Taiwan's prosperity is linked to the mainland. Most estimates put Taiwanese industrial investment in Communist China at $2bn to $3bn. Together with industry from Hong Kong and Japan, this is creating a Chinese export boom that in turn draws more of Taiwan's machinery sales to China.



Conversely, the Board of Foreign Trade recently noted with alarm that of the top 20 items imported indirectly from China by private Taiwanese companies, no fewer than 15 were officially banned as articles that compete with Taiwanese products.

As indirect bilateral trade widens by 40 per cent a year, the government can do little more than advise entrepreneurs not to depend too heavily on China either for export sales or the raw materials they need.

The government's fear of economic blockade or blackmail by China is very real. Industrialists say the island's continued competitiveness depends upon rapid opening up of direct trade across the strait.

That it will certainly be allowed within a few years because of the pressure from domestic industry, and the scale of the strategic investments there by foreigners.

In the medium term the KMT is keen to keep public opinion focused primarily on the home front. Its instrument for achieving this is the much-touted Six Year National Development Plan. A political gamble and a financial burden, it may disappoint foreign companies' hopes of rich pickings. But it has greatly improved Taiwan's political image

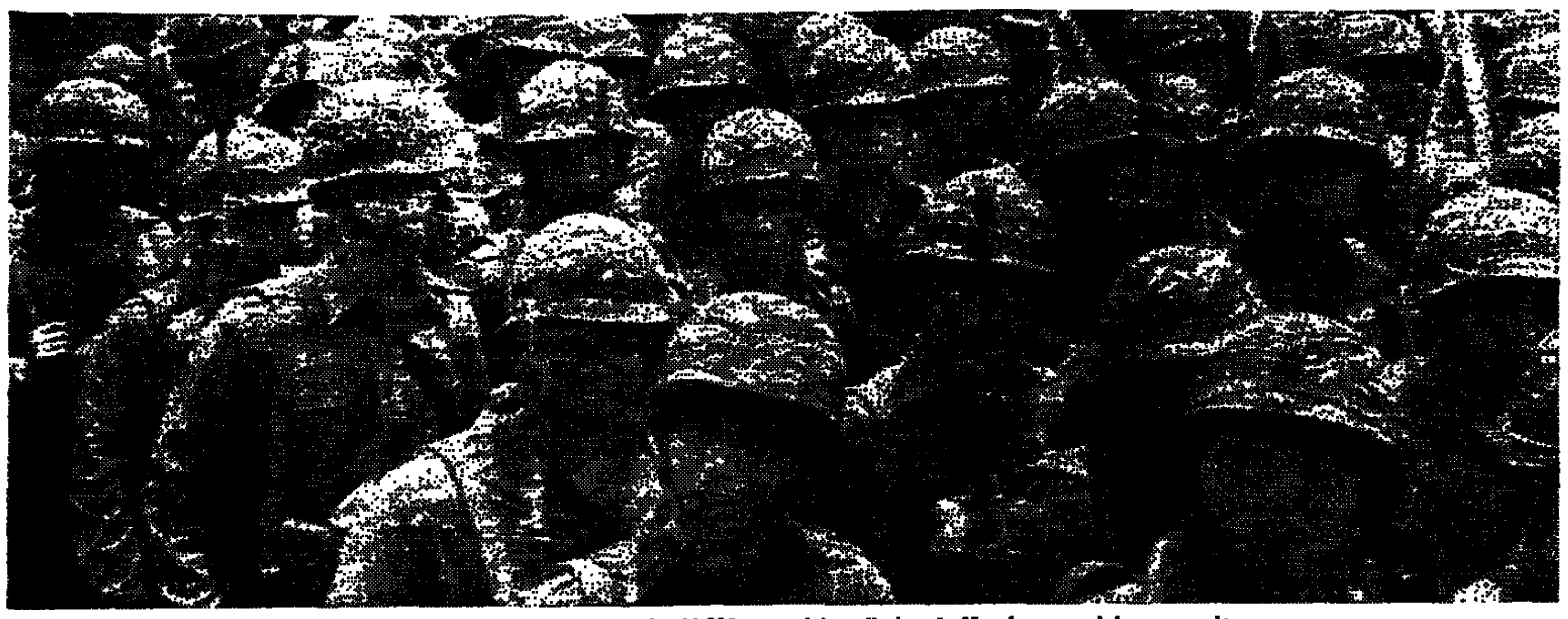
As ministers from leading western countries that do not officially recognise Taiwan beat a path to its door in defiance of diplomatic protocol, the pressures build up on both the KMT and the Chinese Communists for more flexibility in their mutual relationship.

The two intransigent governments find that they are losing the political initiative. They are under pressure from a Taiwanese public with a real sense of nationhood, and from other countries seeking ways to accommodate Taiwan

So far it is the KMT that has given most ground, even to the extent of being prepared to use names other than The Republic of China in order to join some international organisations.

Beijing has been far more immobile in dealing with the Taiwan problem. The longer it waits, the greater the danger that the radical fringe in the opposition will turn to extremism.

TAIWAN 2



Chinese or Taiwanese? — In the central city of Taichung, some of the 11,000 reservists called up in May for a week-long exercise

Economic power raises political questions, writes **Peter Wickenden**

Two confident steps forward

THEY do not couch it in political terms, but a growing number of western leaders say that Taiwan is economically just too big and influential a place to be ignored.

The country has reached a turning point in its dogged efforts to forge official ties with the leading industrialised democracies. This year has seen the pace of progress change from its usual one-step forward, two steps back to two confident steps forward held up by only the occasional stumble.

The reason is simple; Taiwan is now a major industrialised nation, and a conspicuously wealthy one, and is arguably *more democratic than many of* its peers.

Another reason is that Taiwan can now only go forward. The steady erosion of its *formal diplomatic links since* the early 1950s has left South Africa and South Korea as the only really significant industrial nations still recognising Taipei. Both of these long-standing anti-communist allies are likely to switch recognition to Beijing within a few years if not months.

The island has long been well prepared for the these two blows to its national pride.

Disingenuously showing its new-found carrot, the $303bn Six Year National Development Plan, the government has set off a stampede of high-ranking foreign officials to Taipei anxious to secure a slice of a colossal public works pie.

Among advances in substantive foreign relations this year, Mr Fredrick Chien, the foreign minister, counts visits by ministers from France, Italy, Ireland, Germany and Sweden and a senior trade official from Britain. All came to assure the Taiwanese of their interest in participating in the Plan, and in almost every case Beijing spluttered a ritual protest.

Taiwan's *de facto* embassies *around the world have been* allowed to drop amorphous names like "Far Eastern Cultural Office" and to adopt ones that at least give some idea which country they represent. Staff at the "Free Chinese Centre" in London boast they can now telephone junior British Foreign Office officials – more than a decade after the centre was established there. For a country that has been as isolated and humiliated as Taiwan, these things are significant.

It is widely supposed that the improving relations between Taipei and Beijing also give third countries more room for manoeuvre. Indeed, Beijing does not object to any country having economic and trade ties with Taiwan, but Mr Chien insists there has been no rapprochement, and that Beijing has recently stepped up its efforts to barge Taiwan off the world stage.

Among the apparent results of Beiming's pressure were Japan's cancellation of a private trip to Tokyo by President Lee Teng-hui and the sudden abandonment of a tour which the President was to have made to Central America.

"Don't underestimate the People's Republic of China." *fumes Mr Chien. Nevertheless,* leading western countries, tired of conflicting sovereignty claims between Taipei and Beijing, may be taking matters into *their own hands. During* the row over renewal of Most Favoured Nation trade status for China, President Bush declared for the first time that the US would work actively with other members of the General Agreement on Tariffs and Trade toward processing Taiwan's application, made in January 1990.

Getting into Gatt is Taiwan's foremost foreign policy goal. For once the the world's 13th largest trading nation is in, it hopes it will be able to negotiate directly with officials from other member countries whether diplomatic links exist or not.

Meanwhile, France has decided to treat as a purely trade issue a decision to allow its contractor Thomson-CSF to sell sophisticated frigates to Taiwan for its navy. Since it is the one European country that is set to gain most from contracts on the Six Year Plan, it considers it well worth braving Beijing's wrath.

All this calls into question the immediate value to Taiwan of diplomatic as against more *tangible relations, and the* debate has triggered a pragmatic shift in its foreign policy.

Mr Chien says there is public opposition to the pursuit of *official relations with poor and* voiceless nations in exchange for cash. Crowds do not line the streets of Taipei when the foreign presidents appear.

The emphasis now is more on multilateral than bilateral relations; on regaining a more respectable place in the international community via organisations such as Gatt, the IMF and the World Bank.

The trade-off will be the gradual phasing out of Taiwan's official name, the Republic of China. Few foreigners know Taiwan by that name, and the government is being urged to show more flexibility in the alternative names it might use to join international bodies.

It applied to Gatt as "Taiwan, Kinmen, Penghu and Matsu" (the names of the islands under its control). For the Olympics and other sporting events, it is called "Chinese Taipei".

Although first mooted by the opposition in their campaign for Taiwanese independence, the idea that Taiwan might join the United Nations has *captured the public's imagination.* (As one of the founders of the UN, Taiwan had occupied China's permanent seat on the Security Council until former *President Nixon dropped* the US veto on admitting the Communist People's Republic instead.) However, Mr Chien insists that if Taiwan were to join the UN it must still do so as the Republic of China.

Fearing humiliation at home and by Beijing (which can exercise the Security Council veto on Taiwan's entry) the government is resisting calls to make an application.

Peter Wickenden on relations with China

End of the big freeze

AFTER four decades of *stagnant hostility, Taipei has* made a series of bold moves toward building a new working relationship with its mighty neighbour.

A *game of waiting* and learning has now begun. Disappointed but not surprised by the lack of an amicable response, Taipei appears to be *growing more cautious about* opening up further in spite of domestic pressure to do so.

The Nationalist (KMT) government's move to recognise the Beijing regime and renounce the use of force against it was no spontaneous act of goodwill toward the communists.

Rather, as Premier Hau Pei-tsun has made clear, this was forced upon it by public protests unprecedented in size and violence in Taipei last year.

While Taiwan remains as strategically vulnerable as ever and is thus reluctant to drop its guard against an unpredictable enemy, its progress *toward democracy, openness* and free trade are new strings to the government's bow.

The KMT has not renounced sovereignty over the mainland, *including Outer Mongolia. But* academics in Taipei say its new official designation of the communist "rebels" as a "governing authority" is a signal that the sovereignty claim is no longer to be taken seriously by Beijing.

The government has set up three new bodies to deal with China. The official mandate to talk to Chinese officials has been entrusted to the nominally private but mainly government-funded Straits Exchange Foundation.

Before Taipei even acknowledged the existence of the Beijing government in May, the Foundation had sent a delegation on a "courtesy visit" to establish initial channels of communication.

The Foundation's board comprises many of the most influential businessmen and KMT politburo members. Its staff take their orders directly from the cabinet's new Mainland *Affairs Council, which also* screens mainland-related policies drawn up by all other ministries. Until the legislature passes a law governing "people-to-people" relations between Taiwan and China, the MAC decides what may and what may not be done.

Meanwhile, the National Unification Council, set up under the president's office, was initially seen as an attempt by Lee Teng-hui to seize the initiative from other officials and allay Beijing's fears that he was leading Taiwan toward formal independence.

However, this body gave birth to the National Unification Guideline, which now dominates all policy toward China and has for the time being sharply narrowed the scope for greater exchanges.

Most people in Taiwan apparently regard unification as inevitable as long as it would be with a free and democratic mainland. Mr Chen Charng-ven, secretary general *of the Foundation, says the* government pursues unification and opposes independence "for practical, historical and emotional reasons".

Most Taiwanese people regard unification with the mainland as inevitable as long as it is with *a free, democratised* China

The *Guideline, which has* been influenced by the reunification of Germany, envisages a three-stage process. The first stage calls on both sides to forsake hostility in favour of mutual respect, recognition and reciprocity. Official contacts, cooperation and unification follow in subsequent phases.

Specifically, Taipei wants Beijing to start by renouncing the use of force against Taiwan, treating it as an equal rather than as a runaway local authority, not obstructing its efforts to form international ties, and to implementing democratic and economic reform and to allow greater freedom of speech. So far, in Taiwan's view, Beijing has been a non-starter on all counts.

The *Guideline* has no timetable, is loosely worded and meant to be flexible. But it is clear that direct trade, investment, postal and shipping *links, banned by Taipei for* four decades, are not part of the first stage. On his historic visit to Beijing, Mr Chen was bombarded by Chinese calls for direct trade. China, which runs a hefty trade deficit with Taiwan, sees this as a pre-condition for further rapprochement. And recognising Taipei as an equal political entity, it says, is a hindrance to its own concept of unification.

However, indirect trade is still growing rapidly and is expected to top $5bn this year on the back of a steady flow of Taiwanese industry into the mainland.

"Most industrialists are dissatisfied with the government's policies toward China," says KMT politburo member Mr Chang Pen-tsao. "Its stance is negative, one of prohibition and non-assistance."

He heads the China Industrial and Commercial Coordination Society, a chamber of commerce whose members include many of the largest *enterprises on both sides of the* Straits.

"Indirect trade does nothing to enhance our trade protection or our national security, and we are losing money paying commissions to trading houses in Hong Kong," Chang *complains.*

Mr Vincent Siew, the Economics Minister, says the government must stick to the Guideline. The ministry *spokesman, Mr Chiang Ping-kung,* regularly complains that Taiwan's trade and economy are becoming dangerously tied to China. The real extent of the dependence will appear if China's economy overheated severely and took Taiwan down with it.

This raises concern that China, with its "one country, two systems" approach, might thus be tempted to use economic means to achieve political objectives. However, that is the game that both sides are playing. Taiwan is trying belatedly to gather support on the mainland by asking the thousands of Taiwanese companies that have invested there to form associations, and concentrate their activities along the coastal provinces.

Whatever their respective ultimate aims, the two governments are coming together and learning to deal with each other to tackle immediate *humanitarian problems arising* from the unstoppable contacts between their peoples.

Andrew Bolger on how the stock exchange regained its cool

The roulette wheel slows down

THE chickens are still coming home to roost following last year's collapse of the Taiwan Stock Exchange.

The Taipei index fell from 12,682 to 2,520 points between February and October of 1990 – a decline of 80 per cent. The market subsequently climbed back above 6,000 level early *this summer, although it has* recently been trading in the range of 4,000 - 5,000.

Such volatility is remarkable in comparison with other world markets, but the real sea-change in Taiwan this year has been the decline in the number of shares traded. Last year daily turnover often topped T$100bn ($37bn), second only to New York.

The turnover rate in Taipei was around 600 per cent, meaning each share was on average *transferred six times* per year, as compared with turnover of between 50 and 100 per cent in New York and Tokyo. Daily turnover is currently running *at about T$20bn, which spells a* bleak future for many of Taiwan's 374 stockbroking firms.

There were only 28 brokers *as recently as 1987* and analysts believe there is unlikely to be enough business to allow more than 100 firms to survive the current wave of closures *and mergers.*

In spite of this threat to jobs and companies, government ministers show grim satisfaction at the pricking of the stock market bubble, not least because the preceding casino-type frenzy was undermining one of the pillars of Taiwan's economic miracle the incredible labour discipline of its workforce.

Mr Wang Chien-shien, finance minister, says: "Businessmen and industry can now get workers again. Last year, people preferred to play the market, rather than work. A factory worker could make more than two months' salary in one day's trading."

The government is *also* pushing ahead with plans to expand and liberalise the stock exchange, in spite of last year's traumas. It is determined to do so because it believes only an expansion of the stock market can remove one of the underlying causes of the market's volatility – excess liquidity.

Between 1987 and 1990 the number of listed companies increased from 141 to 199. Yet the same period saw the number of investors rise from 634,495 to more than 5m. Too many people chasing too few stocks sent share prices spiralling upwards and fed the illusion that the market was bound to go on rising.

The government plans to increase the pool of shares – and raise some T$400-500bn for *its six-year National Development Plan* – from the first phase of its privatisation of 19 state-owned enterprises. The Securities and Exchange *Commission is also simplifying the* procedure for bringing new companies to the market.

It intends that the present number of 209 listed companies should be increased to more than 300 by 1994, at the rate of about 25 a year. Mr Wang also wants to tackle the low proportion of total volume traded by *institutional investors* – only about 5 per cent in Taipei, compared with the 70 per cent in more mature markets such as Tokyo, New York and London.

Mr Wang says: "Our situation is just the opposite. There are too many individual investors who lack the ability to *verify information.* Rumours often circulate the market, which is very bad. It is thus necessary for us to increase the percentage share of institutional investors *in our market.*"

To this end, the Taiwanese civil service pension fund has been allowed to buy shares since last October, but so far it *has only invested a small fraction* of the amount it has available. Foreign institutional investors have also begun to take an interest after the *government half-opened the door* to investment from overseas.

So far, 15 institutions have applied to invest a total of $750m. Fourteen of these, worth $600m, have so far been approved, but so far only $230m has been remitted into the country – and of that only a small fraction has actually been invested in the stock market.

This lack of enthusiasm is partly because of the heavy restrictions placed on foreign institutions, although the *government promises these will be* eased. At present, foreign institutions must keep their cash in Taiwan dollars and cannot remit the principal out again for at least *three months*. Any dividends or capital gains cannot be remitted out until a year has elapsed.

However, the main barrier to significant overseas *investment* is distrust of a market which has proved to be so easily manipulated by so-called "big hands", large individual or corporate players *who deal* in big stakes and are closely followed by speculators.

The SEC has taken a variety of steps to clean up the market. A screen-based system now matches trades on a first-come, first-served basis. A new book-entry settlement system handles 80 per cent of the shares traded in Taipei, reducing the risk of fraud through forged share certificates. The commission's increased staff has also *launched prosecutions* for insider dealing and market manipulation and suspended the licences of erring brokers.

All has helped make the Taipei exchange a duller, but more mature, stockmarket. However, there is little doubt that the biggest factor behind the recent comparative stability of the Taipei market has *been the memory of the crash.*

KEY FACTS

Area .... *36,000 sq km*
Population .... 20.32 million (end of 1990 estimate)
Head of State .... President Lee Teng-hui
Currency .... New Taiwan dollar (NT$)
Average exchange rate .... 1989 US$1 = NT$27.15 1990 *US$1 = NT$26.67*

ECONOMY

	1989	1990
Total GDP (US$bn)	142.8	159.2
Real GDP growth (%)	7.6	5.1
GDP per capita (US$)	7,107	7,881
Components of GDP (%)		
Private consumption	53.4	54.3
Total investment	22.8	22.2
Government consumption	15.9	17.5
Exports	50.4	47.7
Imports	-42.5	-41.7
Prices (% change pa)	4.4	4.1
Unemployment (% of lab force)	1.6	1.7

Source: Economist Intelligence Unit, Datastream.

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Trade patterns are losing their old familiar shape, writes **Andrew Bolger**

Less to US, more from Japan

TAIWAN received a fillip this summer when the US unexpectedly supported its application to join the General Agreement on Tariffs and Trade (Gatt). The export-oriented island also increased its exports by 12.6 per cent in the first eight months of this year, in spite of recession and growing protectionism in some of its main markets.

However, this success story is accompanied by significant shifts in underlying trade patterns which pose difficult questions for economic policymakers. This year for the first time Taiwan's trade surplus with the US, its biggest export market, is likely to be smaller than its deficit with Japan, from which it imports many key components.

Exports to the US were down by 2.6 per cent to $14.2bn in the first eight months of the year. Mr Chiang Pin-kung, vice-minister of economic affairs, said this was a satisfactory performance in view of the economic downturn in the US and the strength of the Taiwanese currency against the dollar.

The share of Taiwan's exports taken by the US fell from 33 per cent to 29 per cent in the same period. Mr Chiang said this was in line with Taiwan's policy of reducing its dependence on the US, which used to receive almost half the island's exports, but he would like to see the figure stabilise at about the 30 per cent level.

Imports from the US increased by 11 per cent to $9.49bn, which also accords with Taiwan's efforts to buy more goods following pressure from its main sponsor and ally. The net effect was to cut Taiwan's trade surplus with the US by 21.7 per cent to $4.75bn in the first eight months.

The drop in sales to the US was partly offset by a strong performance in Europe, where exports grew by 19.3 per cent to $9.48bn. Imports from Europe were marginally down at $6.66bn, so Taiwan's trade surplus with Europe more than doubled to $2.8bn.

Mr Chiang said the success in Europe reflected a concerted effort by Taiwanese companies, many of which had set up offices there. The vice-minister said that while US consumers tended to put the emphasis on low price and the Japanese wanted top quality, European consumers were attracted by a combination of good quality and reasonable price which Taiwan was increasingly able to deliver.

One concern of the Taiwanese government is that as the single European market approaches, single-country quotas on Taiwanese products such as suits will be adopted by the whole Community. It has established an office in Brussels to lobby against such protectionism.

Taiwan has also been increasing trade with eastern Europe and the Soviet Union, but has been deterred by those countries' lack of hard currency. One possible solution is barter, and in a recent deal Taiwanese consumer goods, machinery and computers were swapped for Soviet timber.

A more intractable problem is the scale of Japanese imports, which rose by 16.9 per cent to $12.2bn in the first eight months, increasing Taiwan's trade deficit with *Japan by 20.9 per cent to* $6.1bn. Because so much of Taiwan's industry remains fairly low-technology, it depends on Japan for more sophisticated items such as advanced machine tools and microchips.

Mr Su Hsien-yang, a Taipei-based researcher, estimates that for every 1 US dollar's worth of Taiwanese exports, the island has to import goods worth 28 cents from Japan. Mr Vincent Siew, minister of economic affairs, says: "For the next few years the Japanese deficit will become a more sensitive and difficult problem for us, and there will be new pressures to address it."

Mr Siew is confident that the deficit will prove a short-term difficulty, and reflects the current upgrading of Taiwanese industry, which is sucking in advanced Japanese machinery and components. The government is seeking to diversify import sources, identify areas of over-dependence on Japan, sell more goods to Japan and encourage Japan's leading companies to buy more from Taiwan.

There remains a strong fear, however, that the Japanese *will continue to expand their* control over the local economy, particularly if Taiwan gained entry to Gatt and then had to face imports of motor vehicles from Japan.

Japan's structural links with the Taiwanese economy go back to the 50-year period until 1945 when it colonised the island, and in recent years many Japanese companies have supplied technologu in exchange for a stake in the Taiwanese companies.

Mr Siew said: "We do recognise that Japan is trying to increase its role everywhere, but we think we can manage to avoid control from Tokyo." Fear of losing control also haunts Taiwanese politicians when they consider their other big trading issue – the extent of trade with mainland China.

Taiwanese exports to Hong Kong, many of which go on to mainland China, grew by 49 per cent to $7.86bn in the first eight months of the year. Taipei announced it would allow the indirect importation of semi-finished goods from mainland China, in addition to the 158 types of agricultural and raw materials currently permitted.

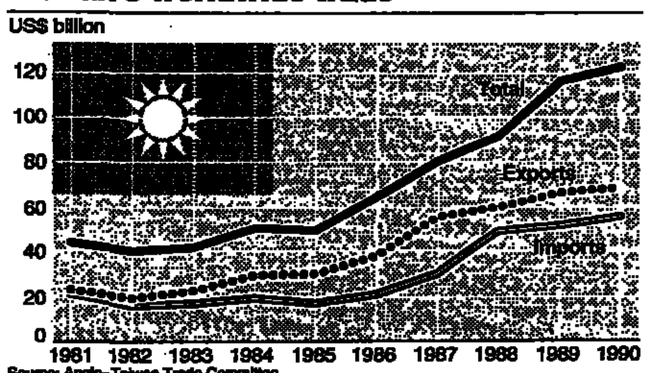
However, the government has also set up an alarm system which will monitor the extent and growth of individual indirect imports and exports, to prevent Taiwanese companies from becoming over-dependent on the mainland.

The Taipei government also recently shelved an application by the Cheng Shin Rubber International Company to invest $20m in a tyre plant in China's coastal city of Xiamen. It would have been the biggest Taiwanese investment in Communist China to date, but the government fears that Beijing could use its control over such projects to blackmail Taiwan.

Mr Siew emphasises that mainland China currently receives only about 5 per cent of Taiwan's total exports, and many of those goods will then be sent on to other countries. He admits there is considerable pressure from some in the private sector to allow direct trade with China, across the Taiwan Straits, although he says most support the government line that it should proceed cautiously.

Precision work: designing telephone exchange parts at ITT subsidiary ITT Taisel

Taiwan's worldwide trade



Source: Anglo-Taiwan Trade Committee

The financial moment of truth has come

Liberalisation on trial

IS TAIWAN serious about becoming a regional financial centre, in the same league as Hong Kong and Singapore? The question arises because it has failed to live up to the government's rhetoric about "liberalisation and internationalisation".

The Taiwanese dollar cannot be traded internationally and foreign exchange dealing is still restricted. There is a negligible bonds market, no futures trading and overseas stockbrokers, bankers and insurers face tight regulation and control.

Yet change is coming. There have been few issues of corporate or government bonds and bonds only represent about 5 per cent of the Taipei securities market compared with more than 70 per cent in major world markets. Next year alone the government plans to raise about T$300bn ($11.3bn) by issuing bonds to fund its Six Year National Construction Plan.

It is pressing ahead, although two issues of government bonds earlier this year totalling T$100m did not do well. The caution of the financial authorities is understandable, given the recent volatility of the Taipei stock exchange.

When a forward foreign exchange market was opened in 1987, rampant speculation made it close within a few days. However, Taiwan's central bank, the Bank of China, was notoriously conservative long before the ructions of recent years.

It was blamed by many for "losing the mainland" to the Communists in 1949 through fiscal irresponsibility, and since then it has been a bastion of those preaching tight control of the economy. It is all the more intriguing, therefore, that banking is the financial area which the government has moved most decisively to liberalise: until recently it was a cosy and highly profitable cartel, with 70 per cent of the banks state-controlled and a ban on new commercial licences.

Mr Peter Kurz, managing director of Barings Securities (Taiwan), believes there has been a shift in relative power towards the Ministry of Finance and away from the board of the central bank, which used to be viewed almost as a second cabinet, with governors of the bank then becoming prime minister.

New banking licences have been issued to 15 of the 19 investors groups which applied and which are mostly associated with large industrial conglomerates. Observers say more licences than expected were awarded because the government is determined that the liberalised banking system will not be dominated by a few of the larger industrial groups which control other sectors of the economy.

Giving the go-ahead to so many new banks has had a depressing effect on the Taipei stock exchange, where most of the groups behind the applications had to sell large amounts of shares. Mr Wang Chien-hsien, finance minister, is confident that the opening up of the banking industry will lead to more modern and sophisticated services being offered to private and corporate customers. However, the new banks' heavy capital requirement means that they and the state-run banks will have to compete hard for business in an environment where bankers can no longer enjoy a generous spread between their return on deposits and their lending rates.

Shortage of qualified staff will also be felt. The new banks are likely to be able to lure away staff from existing banks with higher salaries. Mr Wang said his ministry used to have only 100 people to supervise all banking, insurance, trusts and money markets.

The number supervising banking has now been increased to 200 and there are 80 people overseeing insurance. Mr Wang admits that even this increased staff will not have the manpower to audit all the banks. It will instead require banks to have their accounts prepared by Certified Public Accountants, and the ministry will have power to ask independent CPAs to audit any bank.

There is, however, a lack of qualified accountants, corporate lawyers, analysts and people with experience of financial instruments such as bonds and futures.

The safety net will also be inadequate in this liberalised banking market. The state-run Central Deposit Insurance Scheme has a capital base of only a fraction of the sum each of the new banks has been required to find. Mr Wang is seeking to increase the size of the fund next year, but says "in the meantime we hope we'll be lucky".

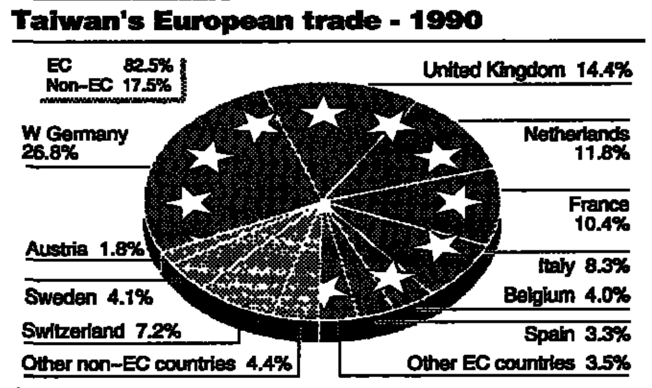
Nevertheless, the minister agrees that some of the weaker players will go to the wall. "If we allow too many banks to join this small market, we may encounter bankruptcies in this sector, but if you really want to make Taipei one of Asia's financial centres you have to be prepared to face these kinds of consequences."

There must be a real danger, *however, that any significant* banking failure would lead to a reassertion of control by more conservative elements.

Taiwan therefore stands at the crossroads. It needs a liberalised financial system in order to attract overseas investment to help fund its Six Year National Development Plan, which aims to redress the problems created by Taiwan's unbalanced economic miracle.

Andrew Bolger

Taiwan's European trade - 1990



Source: Anglo-Taiwan Trade Committee

THE SIX YEAR PLAN

A very big vote getter

WHETHER Taiwan's economic development over the last 30 years should be called a miracle or merely phenomenal is debatable. Certainly, however, the government has concentrated on boosting GNP figures at the expense of everything else.

The result is a country that is rich on paper, but suffering a paucity of clean air, water and soil, electrical power, infrastructure, leisure, educational and recreational facilities and the means to get around with any semblance of convenience.

Not surprisingly, people are taking their money and emigrating to Canada.

The solution? A Six-Year National Development Plan, drawn up by the Council for Economic Planning and Development (CEPD), "to rebuild social and economic order and promote balanced development".

With more than 700 projects and a budget of T$8.236 trillion (more than $300bn), the apparent scale of the plan must impress Taiwan's citizens and foreigners alike.

Although Premier Hau Pei-tsun (who is credited with dreaming up the idea) mentioned it only in passing, it is the electorate that the government hopes most to please. The year 1996, when the plan should come to fruition, coincides with the end of President Lee Teng-hui's term in office. Whoever runs to succeed him will have to face candidates from opposition parties, an exciting new factor in presidential elections.

Apart from ensuring the survival of the ruling Kuomintang (KMT), the plan has acquired a third role as a tool of foreign policy. The implied threat that countries unfriendly to Taiwan will not be allowed to participate in certain projects has magically opened diplomatic doors. The plan is put up as a quid pro quo for setting up air-links to Taipei, getting Taiwanese offices abroad upgraded, or forcing countries to upgrade their semi-official offices in Taipei.

One ministry suggested taking this idea even further by requiring any company that wins a major contract to lobby its government to support Taiwan's entry to Gatt. This was received with howls of protest and is unlikely to be adopted.

Raising national income is one of four key policy goals to be attained by the plan. Massive government spending on public infrastructure projects will, it is hoped, stimulate sluggish domestic demand and private industrial investment as a basis for sustained future growth.

The economy is targeted to grow at 7 per cent on average over the six years, but consumer prices are expected to rise by less than 5 per cent this year and less than 3.5 per cent annually for the rest of the period. Per capita GNP is to reach $14,000 by 1996 from $8,000 last year.

Large tracts of farm land will be given over to other uses. An increase in agricultural productivity will leave the sector with zero growth to 1996.

Overall industrial growth will average 6.9 per cent a year, of which manufacturing will expand by 6.5 per cent. Heavy industry (meaning that which is technology and capital-intensive) will account for 62 per cent of manufacturing output by 1996, up from the current level of 56 per cent.

Developing the industrial base is the second key gaol. Here the plan calls for new coastal industrial zones and technology-parks, building and improving harbours, airports and highways, ensuring adequate supplies of energy and upgrading telecommunications.

The third and fourth goals are "promoting balanced regional development" and "raising the national quality of life". Policies for realising these have not yet been worked out in detail, but the CEPD is basing them on a scheme to divide Taiwan into 18 self-contained "community hubs". Each will have its own employment opportunities, recreational, cultural and educational facilities, and be served by its own transportation network.

While there is some disparity of income between north and south, political observers claim that this is also partially intended to dissipate opposition. At present, anti-KMT and pro-Taiwan independence sentiment is heavily concentrated in the south and particularly in the cities of Kaohsiung and Chia Yi.

The government has managed to keep the political aspects of the plan in the background, but an open dispute between the Finance Ministry and the CEPD has erupted over how it is to be paid for.

Of the T$8.23 trillion total, the CEPD hopes to raise T$3.89 trillion from the sale of government bonds. Then there is a special budget of T$2.18 trillion for large projects that will pay for themselves in the future, such as the high-speed railway, expressways and urban mass rapid transit systems. This and the other T$2.16 trillion are to come from new taxes, previous budget surpluses, and the privatisation of some 20 state-owned companies.

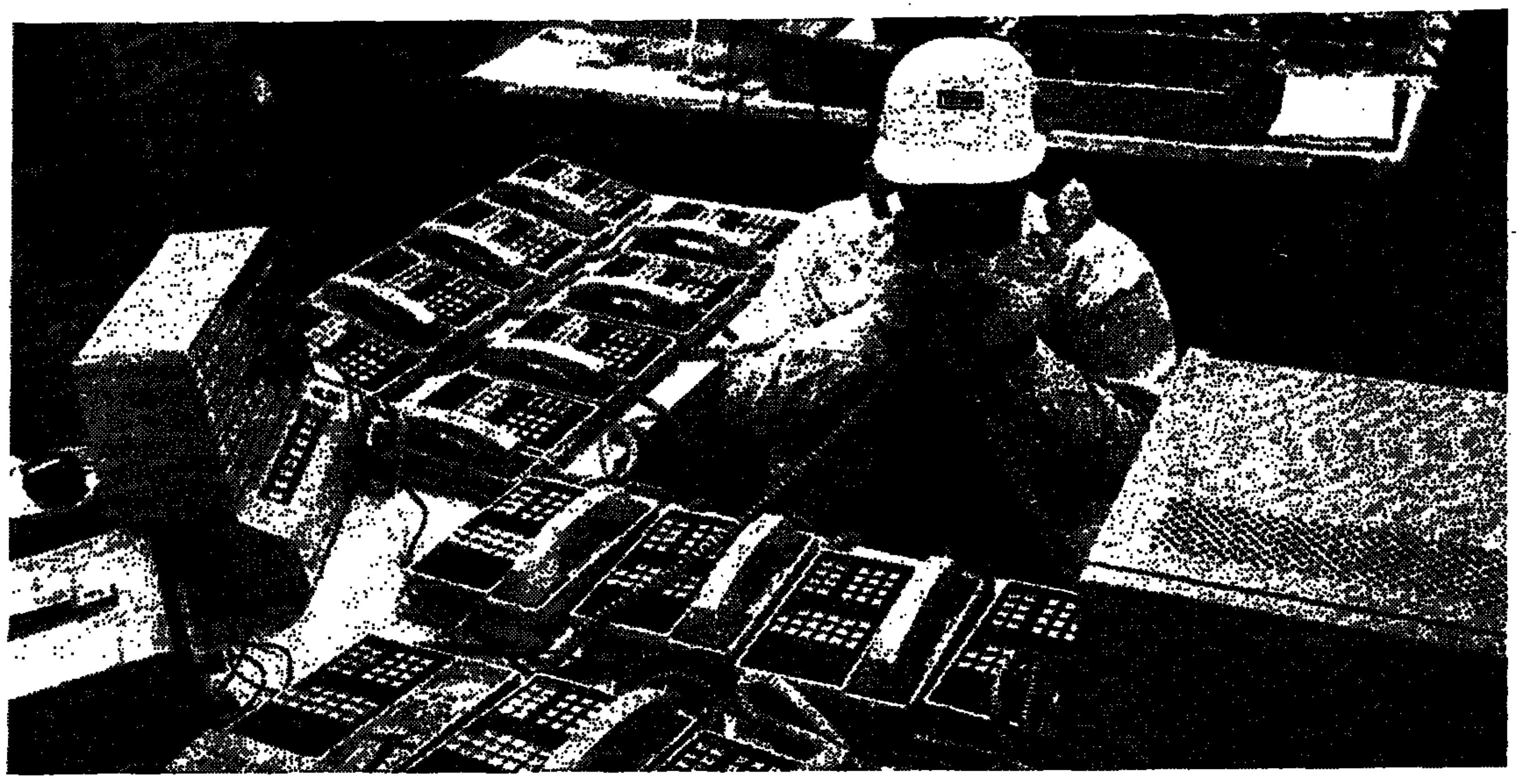
Mr Wang Chien-hsien, the finance minister, worries that the total cost of the plan will end up far exceeding the original figure, citing the 40 per cent over-run chalked up the government's Ten Major Construction Projects of the 1970s and 1980s.

Political stability is therefore a must if the financing for the plan is to work.

Equally crucial will be confidence that the government will carry out the plan and that in 1996 it will have borne some visible fruit.

The government makes much of the promise that by 1996, Taiwan's per capita GNP will make it an advanced industrialised nation. But such has been the utopian hype surrounding the plan that there will be ample ammunition for the opposition if by that time

Peter Wickenden



One of the 22,000 employees at Hsinchu science park: peace and quiet help to untangle crossed lines

In a quiet mountain setting, Taiwan encourages creative design

Far from the traffic fumes of Taipei

TAIWAN'S showpiece Science-based Industrial Park is only 70 kilometres from Taipei, but worlds away from the ugly, traffic-choked and heavily polluted capital, writes ANDREW BOLGER.

The advanced products and companies which the park was established to promote are also far removed from the low-technology assembly operations which are still typical of large parts of the island's economy. Since the park was established in 1980 – at Hsinchu, south-west of Taipei – by the government's National Science Council, it has attracted 133 companies.

They are working in areas designated as appropriate for moving Taiwanese industry "upstream" to higher value-added activities: computers and peripherals, integrated circuits, telecommunications, optoelectronics, automated systems, bioengineering, environmental and energy science.

The companies in the park now employ a total of more than 22,000 people, of whom nearly a third are university-educated engineers, including 170 with doctorates. The park offers tax holidays, low-interest loans, and factory units to let.

Big groups such as Acer, Taiwan's largest personal computer manufacturer, and AT&T, the international telecommunications group, were allowed to lease land and build their own facilities. The Taiwanese government matches research and development spending on approved programmes up to a ceiling of T$2m ($746,000) per project with no limit on the number of projects any one company can submit.

The park's physical setting is also an important incentive. Hsinchu is surrounded by mountains and is close to the north-eastern coast of the island. The companies are set in pleasant parkland which also boasts modern housing, a cinema and sports facilities.

This emphasis on lifestyle was an important element in one of the park's main goal's attracting back to Taiwan scientists and engineers from places such as Silicon Valley in California. So far there have been 639 of these so-called "returning scholars" and they have been responsible for establishing 68 companies in the park.

The National Science Council said its task had been made easier by the economic downturn in the US, from where most of the entrepreneurs had come. Ms Angela Yao, of the NSC, said: "Ethnic minorities also do come up against a 'glass ceiling' preventing advancement when overseas. Here they can establish their own companies."

Another attraction is an international school which teaches in both Mandarin and English. The school follows an American curriculum, which also makes it popular with the families of the 300 engineers from overseas who are working in the park on short-term contracts at any one time.

The park is close to two universities and an industrial technology research institute, all of which provide a ready source of prospective employees and carry out research work for companies on a contract basis. In spite of the park's success during its first decade, the NSC is now facing harder choices as the park fills up.

Ms Yao said: "It used to be first-come, first-served, but now we are being more selective." Some companies are suspected of using the park just as a tax shelter. No companies have been kicked off, although between five and 10 have left voluntarily. However, several have been required to strengthen their management and do more R&D.

Even the flourishing Acer has been asked to move some of its production activities to an industrial zone. The scale of success should also be kept in proportion. The park produces 93 per cent of all the integrated circuits made in Taiwan, but that is still only about 10 per cent of the amount the Taiwanese market needs.

Last year R&D accounted for only 1.2 per cent of Taiwan's GNP, compared with 2.8 per cent in Japan, according to the NSC. One problem is that many of the park's activities are not very high-technolgy in modern industrial terms. Computers and peripherals account for more than half the output from the park, but many of them rely on imports for their microchips.

It is significant that when Acer wanted to develop 4Mbit D-Ram microchips, it did so in a joint venture with Teax Instruments, the US electronics group.

Andrew Bolger visits the world's biggest maker of tennis racquets

How Mr Lo won game, set and match

KUNNAN ENTERPRISES claims to make about 40 per cent of the world's graphite tennis racquets. But half the group's output is sold under the label of competitors, such as Prince and Wilson.

Kunnan, whose own brand name is Pro Kennex, began business in a typical Taiwanese way, by making goods for sale under other companies' labels as an original equipment manufacturer (OEM). Like other Taiwanese concerns it was determined to escape from its original product range.

The company was founded by Mr Lo Kunnan in 1969, making wooden badminton racquets in his home town of Feng Yuan, close to the central Taiwanese industrial city of Taichung.

As the badminton racquet market became overcrowded, Mr Lo moved into metal tennis and squash racquets and in 1977 Kennan became the first Taiwanese company to produce graphite racquets. Although Mr Lo, 46, has little education or technical training, his group is now a world leader in moulding, weaving and plaiting graphite, which it imports from the US and Japan.

Kennan launched its own Pro Kennex brand 12 years ago. Mr Jeff Yao, director of international administration, said it was dangerous to rely completely on OEM, as owners of brands might be tempted to switch their orders to other countries with lower costs such as Thailand or China.

The shift away from OEM was not without its problems. Prince, the US sports group, took a relaxed view of the situation at first, but when the Pro Kennex brand began to become established, Prince cancelled its orders with Kennan – at that time 30 per cent of the group's business.

Mr Yao said Prince returned after several years because it could not get the same level of quality from other manufacturers.

He added: "There are always some tensions with OEM customers – their marketing people say 'no', but their purchasing people always want to buy from us."

Nevertheless, OEM still accounts for half the group's output of racquets, and Kunnan is happy to maintain it at that sort of level, which maintains full utilisation of plant.

Kunnan launched the Pro Kennex label by setting up agencies in the US, Europe and Japan. But after five years, the business had not grown as fast as expected, so the group bought out the agencies in its main markets and now does all of its own promotion and marketing.

The group has also sought to strengthen its brand name by producing tennis and squash shoes, tennis balls, and accessories such as sweat-bands. Mr Yao says sports shops are stocking fewer brands and those that succeed will have to offer a comprehensive range of highly-promoted goods for display: "In future, the real battle will be for shelf space."

Kennan now also produces graphite golf clubs, which account for about 7 per cent of group sales. Once again, the group started by producing graphite shafts on an OEM basis, but is about to launch its own Pro Kennex range of graphite clubs.

The market lessons which Kunnan had learned were very much to the fore when Mr Lo decided in 1988 to make its most ambitious diversification so far – into computers.

Using headhunters to acquire good computer people, Kunnan produced a range of IBM-compatible PCs, using microchips from the US, under two brand names – Arche, and the budget-level Kenitec.

Kunnan's real innovation has been on the marketing side. Learning the lesson of its sportswear experience, the group has not appointed agents but set up wholly-owned subsidiaries in its target countries – the US, France, the UK, Germany and Sweden.

In the US it has a chain of 90 shops which sell solely Arche and Kenitec PCs and accessories. The only products from other manufacturers are items such as printers.

The group also has a chain of 45 outlets in France and is about to open shops in the UK and Germany. Although, computers now account for half of Kunnan's sales, they make a much smaller contribution to the Taiwan group's profits, which last year fell from T$395m ($14.7m) to T$235m – largely because of market conditions.

The fact that Mr Lo's family still controls a majority of the group's shares makes it easier for him to make such a gamble, but the group is sure that its strategy is right.

PROFILE

A truly modern minister

MODERN laws and smart people are what Taiwan needs to become a major regional financial centre, says Mr Wang Chien-hsien, the finance minister.

Mr Wang is confident it will be done. Several important Bills on banking, insurance, futures, gold trading and the securities markets are grinding their way from ministry to cabinet to parliament.

Only when they are passed by the parliament, which is almost permanently bogged down by filibustering and fist-fights, will there be major advances towards internationalisation.

Mr Wang believes there are few deficiencies in the mass of existing law; but there are not enough qualified people to enforce it. Most of the smart people, he admits, are in the private financial sector making a comfortable living in illegal ways.

"I cannot say there is no manipulation of the stockmarket," he says, "but there is less than before." Since he took over as finance minister in spring 1990 the Securities and Exchange Commission has begun working with the Investigation Bureau under the Justice Ministry to bring suspected cases of manipulation and insider trading to court.

In addition, Mr Wang has drafted several hundred bright people into his ministry to add some impetus to reforms.

Wang Chien-hsien

Educated at Harvard, the 53 year-old Mr Wang wears loud ties and a crew-cut, and is as impatient for change as any of his foreign critics. He is sending many of his new recruits abroad for training. "We should do that in a hurry....We want to catch up as quickly as possible."

When the stockmarket was in the final throes of its 80 per cent crash last year, Mr Wang moved quickly to open it to direct foreign institutional investment in the hope of introducing some health and stability. This year's performance suggests he has been successful.

"I am very happy with the degree of fluctuation in stocks this year. The market is now very stable." But this has been mainly because the millions of ordinary people who skipped work to bet on a stock have since shunned the market out of bitter experience.

Foreign investment is still paltry nearly a year after the door was opened. Mr Wang is not disappointed. Noting that price-earnings multiples on many Taiwanese stocks are generally still high compared with other markets, he believes foreigners are watching and waiting.

"Once they're familiar with our market, they'll come in. If they're smart enough they'll be quick." Nevertheless, he awaits the Central Bank's agreement to a number of measures easing the restrictions on foreign investors. As the various bills get passed and the Ministry's new Monetary Affairs Bureau gets to work, the pace will quicken.

Mr Wang is keen to see foreign expertise raising local standards of service. A devout Christian and a forthright public servant, he resigned from his previous post as vice economics minister in disgust at what he called widespread lack of respect for the law.

So many branches of financial activity are to be reformed at once that further irregularities are likely. "But foreigners bring good, not bad competition. They don't break the law."

Peter Wickenden

ARTS


Gérard Depardieu: firing on all cylinders in Claude Beri's 'Uranus'

CINEMA

A Colossus in overdrive

The beginning of my week was in two parts. First I was driven mad by the sight of Dr Jonathan Miller trying to define madness on TV. Then I was restored to sanity by the sight of Gérard Depardieu going mad in *Uranus*.

Earth has nothing to show more fair than this French actor firing on all cylinders. In Claude Berri's film, adapted by the maker of *Jean De Florette* from Marcel Aymé's 1947 novel about post-Liberation life in a small French town, Depardieu is a Colossus in overdrive. As cafe owner Leopold his bulbous nose twitches over the *vin blanc*, his barrel frame swaggers from table to table, his voice mixes lion roars with lyric keenings. Now he crackles our eardrums with tirades against the Communist sneaks running the town, who suspect him of harbouring a famous poet-collaborator. Now he chirps out home-made Alexandrines after hours, having listened to schoolmaster Philippe Noiret teaching Racine in the bar's backroom turned makeshift schoolroom.

Noiret is the man hiding the ex-collaborator: whereby hangs the tale of ideological tremors in the bomb-wrecked *bourg*. In *Jean De Florette* film-maker Berri filled the French countryside with outsize archetypes, all the way from village idiots to Quasimodo hunchbacks. (During the tale's journey from book to screen the spirit of Pagnol was mugged by that of Victor Hugo.) In *Uranus* the characterisation is no subtler, but the unlikely magic still works.

Shamelessly the film keeps stopping for dramatic arias: life-loving Noiret reciting his horror-struck dream of visiting the *cold, dread planet Uranus*; *bullfrog-faced* black marketeer Michel Galabru weeping tears of venom over "Cocos" (Communists) and ex-collaborators alike; Michel Blanc prissily ranting as the town's chief Coco, a petitbourgeois with a Stalin portrait in his parlour.

Above all there is Depardieu, triumphant whether prancing on table-tops to serenade his wife with honeymoon memories or adopting mad bull postures when cornered by his enemies who seek a sacrificial animal – the largest they can find – for French guilt. Shot twice in the chest, Depardieu prolongs his death scene with an impudence we have not seen since Eric Morecambe. The only difference: after two minutes of the Frenchman reeling about the floor clutching every body part in sight, we are not laughing. We are agog at the sight of a great actor defying and transcending all notions of excess.

★

There is no such thing as an over-the-top performance or production if its creator has the nerve to go over and keep going. In Todd Haynes's *Poison* three intercut stories are played for a belief-defying parodic elan. "Hero" is a tabloid-style investigative documentary about a boy who killed his father and then flew out of the window. "Homo" is an erotic prison drama styled after Genet's *Un Chant d'Amour*. And "Horror" is the tale of a mad scientist who distils the human sex-drive into a serum, with nightmare consequences.

The inspirational decade is unmistakable. It is the 1950s, when Western cinema shook to tensions between postwar conservatism and the emergent pop era, between family values and cosmic alarmism. (It was Doris Day versus the Bomb). Writer-director Haynes, like many (post)modern film-makers such as David Lynch, sees a rhyme between the 1950s and the 1980s/early 90s. His wacky story triptych gives us three interrelated strands of human experience – sex, disease and death – that seem coloured much the same today as they were thirty-some years ago.

URANUS
Claude Berri

POISON
Todd Haynes

AUNT JULIA AND THE SCRIPTWRITER
John Amiel

TOY SOLDIERS
Daniel Petrie Jr

DROP DEAD FRED
Ate de Jong

HARLEY DAVIDSON AND THE MARLBORO MAN
Simon Wincer

If "Horror" is a postwar Hollywood B-movie painlessly recast as an Aids parable, "Hero" and "Homo" are crime and punishment stories designed to suit any time in which personal repression and media hysteria are two sides of the same epochal coin.

Poison's triumph is that you never know whether to laugh or gasp. The Genet pastiche, alternating macho menace with the queasy lyricism of flashback reformatory scenes (studio trees in flower in a studio garden), is like Fassbinder's *Querelle* knitted to a Universal Pictures weepie. It never flaunts a knowing smile, nor does the brilliantly funny, horribly exact duplication of a 1950s horror cheapie, with its serum-tainted doctor turning into a "Leper Sex Killer".

"The whole world is dying of panicky fright" cries *Poison*'s opening caption. And the film persuades us that at sick moments in its history the world can do no better than riffle through its medical records, to see how and why it got ill last time round and how it recovered.

★

Aunt Julia And The Scriptwriter, like *Poison*, tries to tell several tales in one. Unlike *Poison* it ends up as a narrative spaghetti junction. Directed by Britain's John Amiel (*The Singing Detective*) from William Boyd's adaptation of a Mario Vargas Llosa novel, its main character is a black wig and moustache called "Pedro." On closer inspection this proves to be Peter Falk. He plays a 1951 radio soap-writer who likes to choreograph the lives not just of his fictional folk but of friends like young Martin (Keanu Reeves) and Martin's comely Aunt Julia (Barbara Hershey).

Incest impending? Yes, indeed. And long, withering expanses of unfunny period whimsy. I first saw this film under a different title (*Tune In Tomorrow*). After clocking in unsuspectingly to this Monday's Press show, only the bulwark-like presence of several large standing ash-trays prevented me from taking the quick, non-scenic route to the exit door.

A filmgoer can be held captive in many ways. In Toy *Soldiers* we have the classic Hollywood technique whereby he is made to wait for an alleged suspense thriller to get up some suspense. Surely, you think, as a posh American boy's school is overrun by Colombian terrorists seizing the sons of top VIPs – the Colombians' leader wants his drug baron father freed from US jail – excitement will soon mount?

No. Between flurries of promise it keeps dismounting. Writer-director Daniel Petrie Jr tries to saddle up the foolproof set-pieces: the boys' leader (Sean Astin) racing back from an illicit police tryst near the walls to beat the hostage-threatening roll call, the crawl through airducts to defuse a bomb detonator. But the terrorists are such pantomime snarlers and the teachers such a cuckoo cross-section of ages and accents (what ever is Denholm Elliott *doing as headmaster?*) that we keep looking at our watches with other things in mind than the terrorists' countdown.

★

The week's wooden spoon, though, must be shared by by Drop *Dead Fred* and *Harley Davidson And The Marlboro Man*. The first is Rik Mayall's Hollywood debut, the second may be Mickey Rourke's Hollywood valediction. He (Rourke) plays an ageing hippie who seems surgically grafted onto his ageing buddy (Don Johnson) as the two galumph across California and Nevada, fleeing the hit men of a drug lord they have annoyed. The stars wear clothes that might have been raided from a Hell's Angels jumble sale and the film plays like *Easy Rider* re-staged for an actors' retirement benefit.

In *Drop Dead Fred* British alternative comedy meets American fossilised formula. Eyeballs popping and hair askew, the voice a nasal task force on full alert, Rik Mayall strives to animate this tale of a young girl (Phoebe Cates) who re-conjures the fantasy friend of her childhood. No one but she can see Mr Mayall, which leads to one funny restaurant scene and several dozen scenes that try hard before collapsing in a heap. Marsha *Mason* and Carrie Fisher are on hand, briefly, to lend class.

Nigel Andrews

Götterdämmerung

COVENT GARDEN

The closing instalment of the first *Ring* cycle mounted by the Royal Opera for nearly ten years afforded a fiery musical triumph: regrets and criticisms were all swallowed up in its concluding blaze. It was an achievement forged by Bernard Haitink's *incandescent conducting*, and all the more heartwarming for the freedom he now evinces – hard-won over three *Ring* operas – in sloughing off the dead weight of the Götz Friedrich time-tunnel production.

Haitink, whose first *Götterdämmerung* performances (last February) were deemed to be not yet fully formed in style and purpose, on Tuesday unarguably placed himself in the Wagnerian grand line. The art of *Ring* conducting consists in capturing the sound-world, *shaping* the climaxes, pulling all the motivic threads taut, and – most difficult of all elements to master – sustaining dramatic momentum through those all-important transitions from scene to scene. This performance was the occasion for the most compelling demonstration Haitink has yet given us of his mighty powers in this linked, many-sided art.

His is predominantly a "fast" *Ring*. The public confrontations in the hall of the Gibichungs have rarely unfolded with such pulsating excitement, and Act 3 was an arrow shot directly to its target; but across the vast expanses of Act 1 there was no feeling of slackening energies – the dramatic line of Wagner's huge construction was effortlessly held.

Orchestrally, the *tinta* of this *Götterdämmerung*, *muscular, individual without* being eccentric, free of all string padding and cushioning, was a continual source of exhilaration. I have never heard the return of the Rhinemaiden music at once so lyrical and so edged (by bracing woodwind timbres, sharp-cut rhythmic accents) with dramatic undercurrents of alarm and disturbance: in spite of lovely singing from Gillian Webster, Monica Groop and Jane Turner, this was no lulling waterside idyll.

Götterdämmerung is the *Ring* opera which capitalises most effectively on the casting of Gwyneth Jones and René Kollo. As in the past, Brünnhilde's first act was an uneasy mixture of squalls and upward slides into pitch. Once launched into the furies of despair, loss and betrayal, the soprano unleashed a tidal wave of sound that was in the best sense overwhelming; the noble calm of her final appearance lent an otherwise incompetently staged Immolation a wonderfully elevated air of finality.

Likewise, the intelligence and charm of Kollo's mature Siegfried can be registered without excessive worries about vocal strain. He proves a marvellously vivid Act 3 story-teller, who makes one hang on his every inflection; and he dies with admirable dignity. The third hero of the *cast was John Tomlinson's hugely* powerful, blackly witty Hagen. By contrast, alas, Donald Maxwell (a send-up Gunther, wet and sissyish, who gags at the sight of his own blood) and Karan Armstrong (the stock modern vamp Gutrune) are fine artists and loyal, expert singer-actors defeated by production stupidities.

There were disappointments from Linda Finnie's surprisingly uneven Waltraute and a vocally inadequate First Norn; *Ekkehard Wlaschiha's superb* Alberich, sited behind those ridiculous spook-futurist panels of magnifying lenses, was inaudible for the first half of his scene. The lesson of this borrowed *Ring* – a Berlin cast-off from the 1980s ill-suited to the Covent Garden stage, whose methods and insights seem horribly tired and dated – is above all that Bernard Haitink deserves his own, home-grown production as soon as possible.

Max Loppert

Kvetch

GARRICK THEATRE

Steven Berkoff is one of life's controversialists: an *enfant terrible* past his sell-by date who makes trouble, it is tempting to think, for the sheer bloody hell of it. He also happens to be an estimable actor, an able writer and a director whose style and imagery have been seminal over the last couple of decades. In *Kvetch*, he parades Berkoff the exhibitionist, with a generous measure of Berkoff the opportunist and – last but by no means least – Berkoff the misogynist.

The seminal influence here is his Jewish background, which appears to have been hocked to the US and then borrowed back again: although Berkoff's own provenance is in London's East End, and his actors talk like a British Telecom advert, their speech patterns, their gestures and their neuroses are disconcertingly unEnglish (and that does not mean simply Jewish – it is as if he has taken one too many leaves out of Woody Allen's book.)

Berkoff the exhibitionist is omni-present in two hours of theatre that is basically a series of sketches: in the first, which lasts more than an hour, the anatomy of *kvetch* is sketched and resketched until it is etched into our souls. *Kvetch* means anxiety, and kvetcher-in-chief is Berkoff himself who chases nuts around his mouth, writhes with irritable bowel, while spouting out the pick of the one-liners.

On his mother-in-law:"I married the mouth and inherited the belch". On wet dreams: "You don't need a condom in a fantasy." And thereby hangs the tale: a bit of gay abandon in the final quarter-hour, bringing us to Berkoff the opportunist.

My first thought was, who but Berkoff would dare to present *Kvetch* as a play? Then I remembered the legion of comics who are doing just that, having outgrown the formal straitjacket of stand-up comedy. To his credit, there are moments when the discords of self-obsession and social embarrassment are worked into a cacophony of recognition: those moments when the punchlines go awry and concentrated civility shows on every face, or when exactly the wrong question is asked at exactly the wrong time.

Anita Dobson's anxious, oft repeated "So, what do you do at night?" to her *kvetch*-ridden, recently separated dinner guest affects in the marvellous Henry Goodman a response which makes you *feel* the suppuration of stomach ulcers: at his best moments Goodman can out-*kvetch* Berkoff, but he is the only one on stage who gets close to it.

And so to Berkoff the misogynist: an objection which arises not so much from the representation of women as mouths and belchers, or even rampant rape fantasists, but from the use of his two actresses – certainly for most of the first half – as a framing device, fixed within static gestures which are adopted like a foreign choreography. Impossible to believe that Dobson is Jewish any more than one can believe she is an unappealing drudge. It is the fault partly, perhaps, of the actress, but one cannot help wondering if Berkoff the actor, writer, director had any energy left to spend at Dobson's end of the table.


Alastair Muir

Steven Berkoff: kvetcher-in-chief

Claire Armitstead

London Sinfonietta

QUEEN ELIZABETH HALL

On Tuesday the Sinfonietta began their new season, with a characteristically rewarding programme: three recent Birtwistle pieces, and substantial new commissions from Hans-Jürgen von Bose and Detlev Müller-Siemens. "Characteristic" is the right word now, for this marvellous band is no longer the conduit for the avant-garde which it seemed to be in the late 1960s.

Then, the Sinfonietta offered an open window for everything musically worthwhile and new. Now they are a distinguished *senior* ensemble (notwithstanding their steady acquisition of younger players), with a specific loyalty to music that acknowledges roots in the post-Darmstadt 1960s and '70s. They started in the '60s with narrow-fit shirts in bold hues, rejecting conventional concert-dress; those shirts got too tight, and now they opt for generously cut black-and-white. They have flirted only cautiously with "minimalism" (though their affair with Michael Torke, the liveliest post-minimalist, continues apace) and the American neo-romantics; they go on celebrating earlier heroes – Messiaen, Henze, Xenakis, Berio – while leaving new ethnic-eclectic stuff to Odaline de la Martinez's Lontano ensemble, and more specialised British veins to Peter Wiegold's bunch and the Finnissey/Skempton factions.

And why not? They are unequalled at making vivid, persuasive sense of late atonal (and consciously "post-atonal") music, whereas the latest fashions offer less scope to their virtuoso intelligence, both solo and collective. Their three Birtwistle pieces this time displayed their unique strengths: pungent character in the mock-mechanics of his *Carmen Arcadiae Mechanicae Perpetuum* (identified in his own programme-note as "CAMP"), precise, delicate colours for the accompaniments for the Four Poems after Jaan Kaplinski (Sarah Leonard delivered them with such liquid sweetness as to quell worries about any lack of purposeful focus in the vocal lines, compared to his *Gawain* opera), and a noble sequence of solo turns – like laying successive wreaths on a bier – in his *Ritual Fragment* for the late Michael Vyner.

Scene, the new von Bose piece, strung short-breathed episodes – striking and ingeniously related, but without enough cumulative force to sustain 23 minutes – over a shuddering, theatrical bass-continuity. It sounded like talented invention (especially aural) in need of a tighter harness than its recurring synthesizer-slides really supplied.

By contrast the Müller-Siemens *Tom-a-Bedlam*, a cycle on anonymous 17th-century English verses for six Sinfonietta Voices with quintets of strings and winds, made a gripping whole. Each of the madman's songs had a consistent stamp, subtle and intricate enough to prompt many more hearings; the Intermezzi between them developed pointfully from a brooding solo-violin fantasy to a chromatic, deliquescent quasi-fugue; the music at the close, wryly elevated, stabbed home. In their cruelly demanding parts, the Sinfonietta Voices outdid themselves. There are few composers around who can command such broad formal authority whilst maintaining original, expressive life in all the details. Müller-Siemens seems to meet the best Sinfonietta standards.

David Murray

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw *20.15 Marc* Minkowski conducts Les Musiciens du Louvre in Handel's Roman Vespers. Tomorrow: Roberto Benzi conducts the Brabants Orchestra in music by Liadov, Tchaikovsky and Shostakovich. Sat: Valery Gergiev conducts Prokofiev (6718 345)

Muziektheater 20.00 Alberto Zedda conducts Dario Fo's production of Il barbiere di Siviglia, also Sun. Tomorrow and Sat: Dutch National Ballet in choreographies by Van Dantzig, Van Schayk, Van Manen and Brandsen (6255 455/credit card bookings 6211 211)

■ BERLIN

Staatsoper unter den Linden 19.00 Choreographies by Balanchine, Marc Bogaerts and William Forsythe. Tomorrow: I vespri siciliani. Sat: Der fliegende Holländer with Theo Adam in the title role. Sun: Michael Gielen conducts Pelléas et Mélisande (East Berlin 2004 762). Sat in Komische Oper: Jochen Kowalski sings in Harry Kupfer's production of Orfeo ed Euridice (East Berlin 2292 555)

Deutsche Oper 19.30 Neil Shicoff sings Rodolfo in La bohème, also Sun. Tomorrow: Béjart's Ring around the Ring. Sat: Wolfgang Rihm's Oedipus (West Berlin 3410 249)

Schauspielhaus 20.00 Moscow Chamber Orchestra plays music by Bartok, Schnittke, Stravinsky and Shostakovich. Tomorrow: Rafael Frühbeck de Burgos conducts the Orchestra of the Deutsche Oper in music by Webern, Stravinsky and Brahms. Sat and Sun: Herbert Blomstedt conducts the Berlin Radio Symphony Orchestra in Bruckner's Sixth Symphony (East Berlin 2272 261)

■ GENEVA

Grand Théâtre 20.00 Ballet of the Grand Théâtre, directed by Gradimir Pankov, in choreographies by Christopher Bruce, Jiri Kylian and Kim Brandstrup, with the Orchestre de la Suisse Romande conducted by Armin Jordan. Daily till next Thurs except Sun, when Peter Schreier gives a Mozart and Beethoven Lieder recital (212311)

Victoria Hall 20.30 Wynton Marsalis and his jazz band (213213

■ LONDON

Covent Garden 20.00 Bernard Haitink conducts Götz Friedrich's production of Das Rheingold, with a cast led by James Morris, Helga Dernesch, Ekkehard Wlaschiha and Kenneth Riegel. Tomorrow: Die Walküre. Mon: Siegfried. Next Thurs: Götterdämmerung (071-240 1066)

Royal Festival Hall 19.30 Klaus Tennstedt conducts the London Philharmonic in Wagner's Siegfried Idyll, Meistersinger overture and first act of Die Walküre, with soloists including John Tomlinson and Eva-Maria Bundschuh. Sat: Tokyo Symphony Orchestra. Sun at 15.15: recital by Shura Cherkassky. Sun at 19.30: Mariss Jansons conducts Weber, Wagner and Berlioz (071-928 8800)

Barbican 19.45 Michael Tilson Thomas conducts the London Symphony Orchestra in music by Stravinsky, Oliver Knussen, Messiaen and Takemitsu, with soloists including Julian Bream and Peter Donohoe. Tomorrow: Tadaaki Otaka conducts the BBC Welsh SO in Takemitsu's Dream/Window. Sun: Tilson Thomas and the LSO give the world premiere of Takemitsu's Quotation of Dream (071-638 8891)

■ NEW YORK

Metropolitan Opera 19.00 First night of Giancarlo del Monaco's new production of La fanciulla del West, designed by Michael Scott and conducted by Leonard Slatkin in his Met debut, with Barbara Daniels as Minnie, Placido Domingo as Dick Johnson and Sherrill Milnes as Jack Rance. Further performances on Oct 14, 18, 23, 26, 29. Tomorrow: Die Zauberflöte. Sat matinee: Un ballo in maschera. Sat evening: Don Giovanni (362 6000)

Avery Fisher Hall 20.00 Yuri Temirkanov conducts the New York Philharmonic Orchestra in Rimsky-Korsakov's Russian Easter Overture, Stravinsky's Petrushka and Ravel's Concerto for the Left Hand, with the Soviet pianist Alexander Slobodyanik. Repeated tomorrow at 11.00, Sat and Tues. Sun: Christoph Eschenbach conducts the Bamberg Symphony Orchestra (875 5030)

■ PARIS

Palais Garnier 19.30 Pas de deux from the repertoire of the Opéra Ballet, danced by Etoiles and younger members of the company, plus the Grand Defile of the corps de ballet in Berlioz's Trojan March. Repeated tomorrow, Sat and Sun. Next week: Gala d'Etoiles (4017 3535)

Opéra Bastille 19.30 Myung-Whun Chung conducts Jean-Pierre Miquel's production of Idomeneo, with a cast including Thomas Moser, Inga Nielsen and Sylvia MacNair. Also Sat and Mon (4001 1616)

Théâtre des Champs-Elysées 20.30 The Berlioz Experience: tonight's concert by Roger Norrington and the London Classical Players illustrates the musical influences on the young Berlioz, including symphonies by Haydn and Beethoven and arias from Spontini and Gluck operas sung by Isabelle Vernet. Tomorrow, Norrington conducts two Berlioz works: the overture Les Francs-Juges and the Symphonie Fantastique (4720 3637)

Châtelet 20.30 Esa-Pekka Salonen conducts the Philharmonia Orchestra in the first of four concerts focusing on music by Stravinsky and Debussy. Tonight's programme includes Gigues from Debussy's Images, Stravinsky's Firebird and Shostakovich's Second Cello Concerto, with Heinrich Schiff. Tomorrow, Yuri Bashmet is soloist in Bartok's Viola Concerto, in a programme which also includes The Rite of Spring. Sunday's concert features Petrushka, and the programme on Monday is devoted to Berg. On Sat, Jeffrey Tate conducts the final performance of Adolf Dresen's production of Lulu (4028 2840)

Salle Pleyel 20.30 Emmanuel Krivine conducts the Orchestre de Paris in Schumann's Manfred overture, Debussy's Iberia, Stravinsky's Firebird and Chopin's Second Piano Concerto, with David Golub, repeated tomorrow. Sat: Jacques Mercier conducts rare Mozart choral works with the Choeur Oratorio de Paris and the Orchestre National d'Ile de France (4563 0796)

■ UTRECHT

Vredenburg 20.15 Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra in a programme of Mozart and Mahler, with Alexandru Coku soprano, repeated tomorrow. Sat: Gaetano Delogu conducts the Netherlands Radio Symphony Orchestra in Dvorak's New World Symphony and Prokofiev's First Violin Concerto, with Valentin Zhuk. Sun at 15.00: Ivan Fischer conducts Haydn, Schumann and Mendelssohn (314544)

■ VIENNA

Staatsoper 19.30 Donald Runnicles conducts Il barbiere di Siviglia, with Vesselina Kasarova as Rosina. Tomorrow: Ulf Schirmer conducts Der Rosenkavalier, with a cast including Mechthild Gessendorf, Ann Murray and Gunter Missenhardt. Sat: Le nozze di Figaro, with Gunnel Bohman as the Countess and Wolfgang Brendel as the Count. Sun: Abbado conducts the Tarkovsky production of Boris Godunov (51444 2960)

Musikverein 19.30 Georges Prêtre conducts Mahler's Sixth Symphony, also tomorrow. Sat at 15.30 and Sun at 11.00: Vaclav Neumann conducts the Vienna Philharmonic Orchestra and Prague Philharmonic Chorus in Janacek's Glagolitic Mass (505 8190)

Konzerthaus 19.30 Yoel Levi conducts the Atlanta Symphony Orchestra in music by Bernstein, Gershwin and Prokofiev (the orchestra plays an alternative programme on Sat in the Musikverein). Tomorrow: City of Oxford Orchestra plays music by Tippett, Mozart, Elgar and Haydn in the Grosser Saal, and Concentus Vocalis performs Honegger's Le roi David in the Mozart Saal. Sat and Sun in Grosser Saal: Georges Prêtre conducts the Vienna Symphony Orchestra in Schumann's Konzertstück and Fourth Symphony, and Berg's Violin Concerto with Pierre Amoyal. Sat and Sun matinee in the Mozart Saal: Philippe Entremont is conductor and piano soloist with the Vienna Chamber Orchestra (7124 6860)

■ ZURICH

Opernhaus 19.00 Ralf Weikert conducts a revival of Michael Hampe's production of Der Rosenkavalier, with a cast including Gabriele Lechner, Cornelia Kallisch and Kurt Rydl. Sat: Claudio Scimone conducts Il barbiere di Siviglia, with Cecilia Bartoli as Rosina. Sun: Bob Wilson's production of Lohengrin, with Gösta Winbergh in the title role. Mon: Montserrat Caballé recital (262 0909)

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MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
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Thursday October 10 1991

Conservative uncertainty

MR JOHN Major has won the allegiance of Conservative MPs and the admiration of the voters, but he has yet to conquer the hearts of his party workers. He must do so if he is to lead them to victory in what will be the most closely fought general election since Mrs Margaret Thatcher was swept into Downing Street in 1979. He needs a united party behind him if he is to confront the newly united Labour party, which emerged from its conference in Brighton last week in full support of Mr Neil Kinnock. Yet the representatives at this week's Tory conference in Blackpool, most of them constituency activists, demonstrated yesterday that however loyally they may applaud the name of the present prime minister, it is his predecessor they revere.

Partly for this reason Mr Major could not yet lead the Conservatives too far away from Thatcherism even if he wanted to. He took two bold decisions nearly a year ago, soon after he became prime minister. First he declared, in terms more positive than any Mrs Thatcher would contemplate, that Britain's place is in Europe. That altered the tone of all subsequent debates on the European Community.

Second, he pronounced that the poll tax was to be replaced. That removed an exceedingly unpopular policy. In the spring he introduced the "Citizen's Charter". It addresses itself to consumers, not citizens, and its intrinsic merits have yet to be demonstrated in practice. Yet its very proclamation is earnest of an intent to raise the standards of public services.

Wise approach

To judge by the speeches made in Brighton so far, it appears that the prime minister has decided that enough is enough. The election is to be fought on a policy of consolidation. This is wise. The new approach to the EC, the council tax, and the Citizen's Charter can reasonably be presented as "building on past achievements". Currently unpopular policies, such as the opting in to trust status of NHS hospitals, chiefly require skilful prosecution and robust defence.

Mr Major's task as party leader is therefore clear. He must explain his strategy, sell it to the party machine, and offer it to the country. His ability to do that will be tested tomorrow afternoon, when he is due to make his first speech as leader to an annual conference accustomed to the coruscating performances of Mrs Thatcher. She bedazzled this same audience for 16 years in a row. It is a formidable act to follow.

Best course

The prime minister's best course is to be true to himself. In setting out his stall he must be clear about the reasons why the Cabinet is persisting with the implementation of the unpopular elements of continuing Thatcherism, notably the health service reforms and the opting-out of schools. There are considerable merits in both policies, but the government has failed to win the argument.

His approach to Europe may seem to be even more difficult to present, given the divisions in the party on the proposals before the intergovernmental conferences on economic, monetary and political union. Mrs Thatcher is suspicious of any change in the Rome Treaty that includes the possibility of a single currency, whether or not Britain enjoys the protection of a clause that gives it the option of staying out unless and until it wishes to join. The government is negotiating just such an arrangement. Mr Major should take this head-on. He should frankly explain why he supports European monetary union (on the right terms), and brave the wrath of his predecessor.

That apart, his task is to put passion behind an exposition of his philosophy. His positive attitude to the public services should be boldly stated, without looking over his shoulder at Mrs Thatcher. Principles universally embraced by Conservatives – freedom, choice, competition, sound money – must be re-affirmed. It is only weeks since Marxism-Leninism fell dead in the Soviet Union. That should leave the political field open to a party whose central tenet is the market economy. Mr Major can compete successfully in this field, but only if he has the courage of his convictions.

Undermining the tunnel

SOME TIME late in 1993, a shiny French *train à grande vitesse* will emerge from the Channel tunnel less than two hours after leaving Paris. On the 180-mile journey through France, it will have reached speeds of almost 200mph. For the next 70 miles, it will rattle through the Kent countryside along already congested commuter lines into south-east London to arrive well over an hour after leaving the tunnel.

Nothing will better epitomise the difference in approach between the UK and France in executing large infrastructure projects. If the traveller has started from the new Parisian business quarter of *La Défense* and is journeying to Canary Wharf in London's docklands, the contrast between the two countries' approaches to urban redevelopment will add to the contrast. The former, virtually complete and linked into the metro and the urban railway system, the latter marooned in a sea of desolation and with three years to wait until the underground line reaches it from central London in 1996.

Continual postponement of completion, changes of mind sometimes driven by party political considerations, and an inability to agree on funding have marked the history of the Channel tunnel rail link, just as they have the regeneration of London docklands. A similar tale could be told of earlier projects such as the motorway around London and the capital's third airport. The achievements of the private sector in completing projects such as the Channel tunnel itself or in building Canary Wharf suggest that the difficulties lie in the sphere of governance rather than any form of British disease.

Unanswered questions

Even before yesterday's announcement by Mr Malcolm Rifkind of the change of route, the history of the debate over the link gave little cause for congratulation. In the four years since BR first proposed a link, thousands of homes have been blighted by uncertainty – many of them for no good reason, it now appears. Even if Mr Rifkind had agreed BR's preferred route yesterday, it would have been 1998 at the earliest before the rail link could have been opened, five years after the tunnel had opened. Now the earliest date for completion of the new route is some time after 2000 – because there are no plans prepared, no idea of where the funds are to come from and many other questions left to be answered.

Political factors

One reason for rerouting the project may be that there are far fewer homes in Conservative seats on the new route than on the one which BR preferred. It is hard to see significant economic advantages which will accrue to east London from the new route, since the link is not intended to carry freight. And there are many disadvantages in abandoning the route through south-east London which could have carried commuters on lines approaching capacity.

It may be argued that there is no commercial justification for building a high-speed link between London and the coast. The cost of the BR-preferred route would have been £3.5bn to cut the journey time from Paris to London from 3 hours to 2½, and that from Brussels by a similar amount to 2 hours and 10 minutes. These are not insignificant benefits, but it is unlikely that travellers would have paid the additional costs to achieve these time-savings.

However, British Rail had adapted the high-speed link to incorporate growth in commuter traffic which would have required additional spending on capacity in the next decade. While the project was never going to demonstrate a commercial rate of return, the amounts of public investment to make it viable were of a scale which could have been justified – particularly in comparison with the amounts already spent on a high-speed road link to the tunnel.

The Channel tunnel offers the UK an opportunity to overcome its natural geographical disadvantage in the European Community. High-speed rail links – for freight as well as passengers – are needed not just to London, but to the Midlands, Wales, the north and Scotland. It is hard to avoid the conclusion that another opportunity has been missed.

John Willman says NHS privatisation may yet be the result of reform

A patient mistrust

Shortly after 11am this morning, Mr William Waldegrave, the health secretary, will do something quite out of character for a Conservative minister at a party conference. He will promise that the government will *not* privatise the National Health Service.

The relief of the representatives will be palpable. A recent Mori poll confirmed that 62 per cent of voters think the Conservatives will privatise the NHS if they win the next election. A "big majority" think the result will be a further deterioration in the quality of the health service. Conservatives know that the NHS is the strongest card in Labour's hand, and one it has played with skill since the government launched its reforms in 1989.

Yet why should Mr Waldegrave feel obliged to deny privatisation, the flagship of the Thatcher revolution? In July, the prime minister's Citizen's Charter claimed that privatisation had improved the quality of many public services and promised to extend it to others such as postal services. Mr Malcolm Rifkind, the transport secretary, yesterday made no secret of his desire to privatise British Rail after the election, and Mr John Wakeham, the energy secretary, will do the same for British Coal.

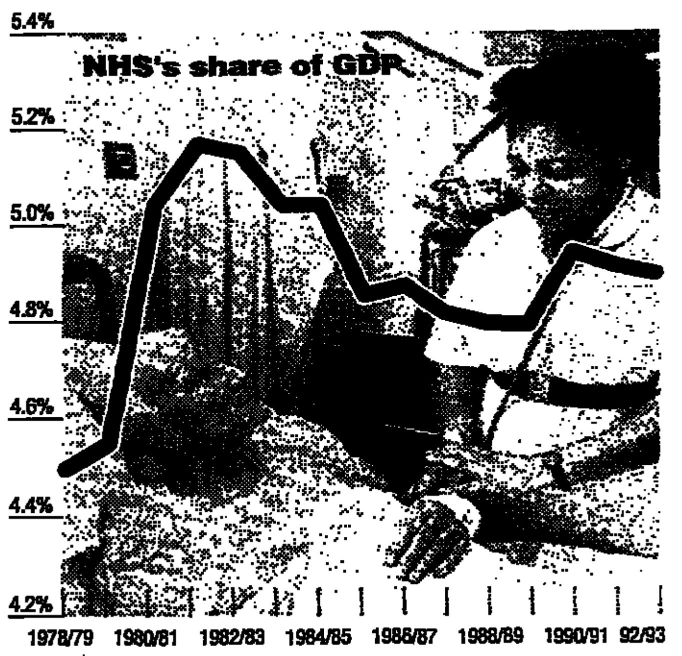
In backing away from the "p" word in services such as health and education, the government is implicitly recognising that privatisation is not always as popular as it claims. "Privatisation is popular among those who buy shares," according to Mori's Mr Brian Gosschalk. "Among those who don't, feelings are mixed, and there is a strong feeling that when it comes to public services, public is better than private."

With coal and railways, it is unlikely that such feelings are decisive in settling voting intentions (except for voters who work for British Coal and British Rail). But when it comes to health, almost everyone feels affected and can be made to feel personally threatened by changes which could reduce its availability or quality.

Public suspicion about the Conservatives' intentions towards the health service is, of course, long-standing. Even in the early 1980s, when Labour was in danger of falling into third place behind the Tories and the Alliance in public esteem, voters still regarded it as better able to run the NHS than the Conservatives.

And when Mrs Thatcher announced her fundamental review of the health service in January 1988, the central issue was how to get more funding into health care without increasing Treasury support. A greater role for the private sector seemed inevitable: free-market think tanks such as the Institute of Economic Affairs advocated the expansion of private health insurance.

In the event, the government lost confidence in the practicality of these alternative sources of funding. When the review published its recommendations in the 1989 white paper Working for Patients, it had refocused on ways of improving the delivery of health care, in order to get more out of the existing budget. Greater competition between providers and the creation of a price mechanism to allocate resources would improve the quality of service without the injection of new sources of funding.



Source: National Association of Health Authorities & Trusts

The specific service aims set out in Working for Patients enjoy widespread public support, according to Mr Gosschalk. The public declares itself in favour of giving general practitioners greater responsibility for the delivery of health services and encouraging hospital consultants to be more responsive to patients. But largely because they do not trust the Conservatives with the NHS, voters do not believe that the government's reforms – about which they often lack knowledge – will produce these improvements.

So, on past form, Mr Waldegrave's sincere protestations at the conference will heighten still further voters' fears about what the Conservatives are up to. Labour's pugnacious health spokesman, Mr Robin Cook, will ram home the message that the Conservatives are hell-bent on privatising the flagship of the welfare state.

Mr Cook accepts, of course, that the government is not privatising the NHS in the classical sense of selling off the assets. And there is no compulsion to seek private health cover: the state still undertakes to provide comprehensive health services – at least for now. Nor will patients arriving at hospitals or surgeries have to pay for their treatment.

But the opposition claims the reforms will strengthen the private health sector by destabilising the health service. The creation of independent trust hospitals is a form of creeping privatisation – they are portrayed as having "opted out" of NHS control. And the provisions allowing GPs to spend health care budgets on behalf of their patients mean that scarce NHS funds find their way into private practice.

The trust hospitals are clearly not in the private sector (their independent status is rather like that of universities). But to create competitive pressures, they are encouraged to adopt an entrepreneurial approach. For example, they can chase as much business from the private sector as they wish.

The NHS Support Federation, an umbrella organisation for opponents of the reforms, believes that trust hospitals will find the higher returns on selling services to the private sector irresistible. They will increase the number of beds they sell to the private sector, leaving fewer for NHS patients. Waiting times for operations will lengthen and more people will go privately. The federation's director, Ms Julia Schofield, predicts a downward spiral into a two-tier system, with those who can afford it going privately, and the remainder left with a rump NHS.

The trust hospitals vehemently deny this will be the outcome. Mr John Greetham, who chairs the NHS Trusts Federation and is chairman of the St James's Hospital Trust, Leeds, says those involved in the first group of trusts would not have accepted trust status if they had believed the trusts were a route to privatisation.

But there is agreement from opponents and supporters of the NHS reforms that trusts may find themselves under pressure to move further down the road to independence. Ms Schofield and Mr Tony Byrne, an executive member of the Conservative Medical Society, both predict, for example, that trusts will soon chafe under the rigid Treasury restrictions on their ability to raise capital. If private capital is injected into trusts, they argue, it will be only a matter of time before they effectively go private.

There are similar pressures on the GP fund-holding experiments currently going on in 300 practices. These GPs are given funds to buy services on behalf of their patients, including elective surgical operations for hernias and varicose veins.

The more enterprising fund-holders have set up their own companies to provide their patients with consultations and simple operations at their surgeries. Their overheads are lower, so consultants can be offered sufficiently generous fees to lure them out of their ivory towers and treat patients closer to home. This shift in power from consultants to GPs certainly benefits the patients of the fund-holding GPs, but those whose GPs do not act as fund-holders may find it harder to see consultants at the local hospital if they are out doing surgery in health centres. If all GPs became fund-holders, there would effectively be a big shift in treatment away from NHS hospitals to private arrangements made by GPs.

There is also a cost to the NHS in this private provision. The money GP fund-holders have to spend includes a contribution to the capital costs of NHS hospitals. If a GP spends this money on private arrangements, it is lost to the NHS – a leakage of already scarce funds to the private sector.

So while the reforms have not formally privatised the health service, there are pressures that could lead to more private treatment and less NHS health care. Some NHS funds go into the private sector rather than the already cash-starved public sector (a consequence of the reforms Mr John Major unsuccessfully argued against while chief secretary to the Treasury). And there will be a temptation for parts of the NHS – the trust hospitals – to seek private capital.

Which way it goes depends on the predilections of the party in power. A government which thinks privatisation is a good thing will welcome such moves – provided it is not facing an imminent election where the unpopularity of such moves would be demonstrated in the ballot box. A government not in favour of privatisation could make relatively small changes to the rules to preserve the positive results of the reforms while erecting a firm barrier between private and public provision.

In that sense, the voters who believe the Conservatives will privatise the NHS if they win the election may be right. But it is unlikely to be by the sort of wholesale transfer of ownership which became familiar with gas and water. Rather it will be a development over time as the reforms create opportunities for the private health sector to grow. If that was indeed the case, the Conservatives would have achieved the main aim of their NHS review of drawing in new finance, without the odium of privatisation at a stroke.

BOOK REVIEW

He might not have been

STAYING POWER
By Peter Walker
Bloomsbury. £16.99

Unless Mr Edward Heath finally delivers, or Mrs Margaret Thatcher comes out with a blockbuster, this must be one of the last of the autobiographies of the Heath/Thatcher period in British politics. True, both Sir Geoffrey Howe and Mr Nigel Lawson have promised books of their own, but neither of them quite spanned the period in the way Mr Peter Walker did.

When Walker was at the peak of his political power in the early 1970s, Prime Minister Heath offered him a choice of two deputies at the Department of Trade and Industry. One was Howe, the other was Mrs Thatcher. Walker picked Sir Geoffrey, and comments now: "It was a fateful decision. Who can say how it might have worked out if I had chosen Margaret?"

The young Walker was a whizz kid. He did not go to university – not because his background was especially disadvantaged, but because nobody in his family had ever been to university before and nobody thought of it. Instead he read the Financial Times from the age of 12, with his father giving him 10 pence a week to buy it each day.

He was advised at primary school to read George Bernard Shaw's Intelligent Woman's Guide to Socialism, Capitalism, Sovietism and Fascism. That, he says, was when he concluded that he was a Conservative.

He has been a Conservative of a kind ever since. In his youth he met the imperialist Leo Amery who told him that the absence of a university education must be compensated for in three ways: reading widely, becoming financially independent and acquiring an understanding of international affairs.

Walker did all that. He had started his own insurance brokers' firm in the City by the time he was 20. He was the youngest Conservative candidate in the 1955 general election, in a seat previously contested by Mrs Thatcher: their paths never stopped crossing.

Mrs Thatcher entered parliament in 1959, Walker in a by-election in 1961, but it was Walker who went whizzing up. Selwyn Lloyd as leader of the House made him his parliamentary private secretary and, according to this book, showed him all the cabinet papers. When Mr Heath sought the leadership of the party in 1965, he asked the young Walker to organise his campaign.

Under Heath's premiership, Walker held in turn the two giant home departments – environment, and trade and industry. He was thoroughly at home with past leaders like Harold Macmillan, and magnanimously advised Heath to promote new blood – like Mrs Thatcher.

When Heath was toppled in 1975 and Mrs Thatcher succeeded him as party leader, one of her first acts was to sack Peter Walker from the shadow cabinet. One can see why she did it. In almost every respect, their political outlook was completely different. Walker was corporatist, believed in big departments, in incomes policy, in Great Britain Inc, and thought that monetarism was a joke. Even on Europe, where he once held views similar to those of Mrs Thatcher today, he had become a convert to the Community.

Yet when she became prime minister, Mrs Thatcher decided that she could not dispense with him altogether. In Walker's words, once put more pithily by Lyndon Johnson, she decided that it was "better to have him in than out". The once potential rebel went along and was successively minister of agriculture, energy secretary and Welsh secretary.

He says that he did so partly out of party loyalty and partly because he was allowed to be his own man. Certainly the latter was the case in Wales. She put him in the Welsh Office, gave him the money and let him get on with it.

Walker notes with pride that when the Soviet Union was first contemplating economic reform, the country sent a deputy prime minister "to look at what was happening in Wales under Peter Walker". He adds that "if, by some magic formula, I was to have a say in the running of the Soviet Union", he would run it much as he ran Wales. For the record, he was the first senior British politician to tell Mrs Thatcher that Mikhail Gorbachev was a man with whom she could do business.

In the end, this is rather a sad book. Walker is perhaps too reticent about his business relationship with Jim Slater, saying simply that he (Walker) "was lucky. I left business in 1970 . . . a financial success." He claims perhaps more personal credit than he should for the defeat of the miners' strike. One always understood at the time that Nigel Lawson, as chancellor, was closely involved. For Lawson, or indeed the Treasury as a whole, he has scarcely a good word to say. He gives an account of the British Gas privatisation and encomium of its chairman, Sir Denis Rooke, that not everyone will recognise.

The saddest element of all is the extent to which Tory politics seems to depend on personalities and chance. Here we are in 1991 facing much the same problems, like reorganising local government. Walker the politician might never have been.

Malcolm Rutherford

OBSERVER

Arts hopes extinguished

■ Britain's arts organisations need no telling that beggars can't be choosers. So it's perhaps surprising that only two thirds of them said yes when asked if they would take sponsorship money from tobacco companies increasingly hard up for ways of advertising.

Still, a good many of the rest who said no, evidently sighed as they said it. For instance, the Brighton Festival and St David's Hall in Cardiff are just two of the organisations surveyed by the Association for Business Sponsorship of the Arts which know that cuddling up to the tobacco companies would kindle the wrath of their main paymasters, their respective local authorities.

Others, from English National Opera to the London Symphony Orchestra and the Victoria & Albert Museum, described their attitude as "pragmatic", although all stressed that they would never accept tobacco money to pay for educational or children's activities.

Ironically, their agonising over the burning issue looks to be pointless. Although leading manufacturer Gallaher has been bombarded with publicity consultants' proposals for diverting frustrated advertising money into the arts, it has decided against. Gallaher will go on advertising where permitted while concentrating sponsorship on Formula One motor racing which eats up £9m – a sum that would make the arts world delirious.

It can nevertheless console itself with the thought that what it doesn't get, it cannot miss. Any new money supplied to the arts from tobacco would be liable to be axed by the latest EC proposals to restrict "indirect advertising" connected with the smoking habit.

A far worse problem would be if the health lobby decided to turn similar attention to the drinks trade. With their advertising already diluted by restrictions, liquor companies have become great fans of the arts, freely pouring £5m or more yearly down their throat.

Close to home

■ While Cyrus Vance's overseas assignment as United Nations envoy to war-torn Yugoslavia will demand all his negotiating skills, he faces a Stateside mediation problem that threatens to prove even more intractable.

The former US secretary of state, who helped to bring about the 1979 Camp David peace agreement between Egypt and Israel, has been asked to help settle a budget dispute between New York's Governor Mario Cuomo and state chief judge, Sol Wachtler.

A suit Wachtler filed against Cuomo, demanding more cash for the court system, has drawn an instant countersuit from the outraged governor.

A federal judge, describing the tussle as "an unseemly conflict", asked Vance to mediate. But the two titans of New York are refusing to lay down their weapons.

New dimension

■ Sir Michael Caine, chairman of the Booker international foods group, clearly has a penchant for broadcasting. Besides being an ex-member of the Independent Broadcasting Authority, he is chairman of the One World Broadcasting Trust dedicated to using television to demonstrate the interdependence of the world.

He is now adding a local dimension to the One World big picture by accepting the chairmanship of Five TV, a consortium aiming to bid for the UK's new national television network, Channel 5.

Five TV, backed by the

powerful Toronto-based Citytv group led by Moses Znaimer, hopes to launch City-based television in the UK if it wins next year's competitive tender. The transmitter plan allows for tailor-made programming for each of as many as 30 UK cities, on top of a national spine of programmes common to all.

"We're planning really good quality programmes for a different level of cost than ITV," says Chris Rowley, one of the Five TV team and a former IBA director of planning.

Even so, the outlook for Channel 5 is still uncertain. Apart from the bid money, a successful applicant will have to pay for the national transmitter system and the retuning of several million video recorders currently cluttering up the frequencies the new channel will need.

Inscrutable

■ Smoothness prevailed at abrasive Korean tycoon Chung Ju Yung's grand book-launching party in Seoul, despite the rift between him and his country's political leadership.

The founder of the family-owned Hyundai Group and relatives who help to run it are the subject of an unusual government investigation into alleged avoidance of inheritance taxes, which Seoul business circles believe is politically motivated. They see it as designed to muffle a powerful critic of the government.

Nor will all of Chung's business rivals feel flattered by his book, Ordeals But No Failures, which lambasts a good number of them. A prime example is Kim Woo Joong, chairman of the Daewoo textiles-to-shipbuilding conglomerate, who is criticised for simply acquiring the companies he heads rather than establishing any himself. "I hate that style," Chung's book comments.

At the party, however, political and business leaders alike flocked to offer the author their warm greetings, the lead being taken by Kim Young Sam, number two in the ruling party.

True, there was one scuffle. But it turned out to centre on a sacked Hyundai worker demanding an apology from his former boss.

Down table

■ However hard-pressed premier John Major may be to fulfil his pledge to create a "classless society" in Britain as a whole, it seems to be in force already at the heart of government. The cabinet office's mess – where senior mandarins could lunch secluded from their canteen-confined underlings – has been closed because of falling demand.

With a growing shortage of accommodation, the ex-mess is likely to be turned into offices. It all seems a long way from the Thatcher days when her private secretaries regularly trooped there for team briefings over the up-market pie and chips.

ECONOMIC VIEWPOINT

Emu: Thatcher right – but don't worry

By Samuel Brittan

Mrs Thatcher is right on the drift to a European currency, but if she were an economic Thatcherite she would welcome it.

The key decision which the UK took – against Mrs Thatcher's inclinations, but when she was still prime minister – was to join the exchange rate mechanism (ERM). This membership will determine British monetary policy in a way still not generally appreciated.

The main British influence will be exerted through the attempts of the European central banks to concert their monetary policies. These will be formalised in stage two of the European monetary union process to begin in 1994. They have already started in the EC Central Bankers' Committee.

The ERM has now become what Bretton Woods was in its heyday (and against the intentions of its founders): a system of almost permanently fixed exchange rates which are changed only with the greatest reluctance in the most dire emergencies.

But there are some important differences with Bretton Woods. The latter had no authority responsible for monetary policy in the whole system. This time there is a blueprint for a European central bank and the existing reality of the Bundesbank, which, as its president Helmut Schlesinger, has indicated, is determined to get German inflation back to the 2 per cent region.

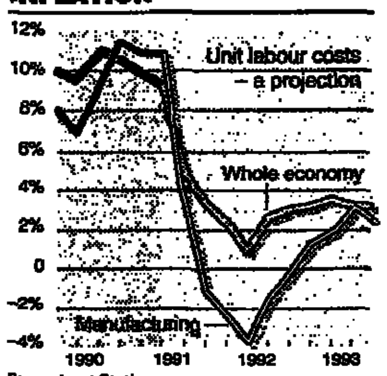
If a core group of European countries becomes locked into a successful fixed exchange rate regime, with an agreed blueprint for a European central bank in readiness, it will be relatively straightforward to move from there to a single currency.

It would then be self-defeating for any British government to refuse to join them, and expose its business community – including the City of London – to unnecessary residual currency risks. So if I hated the idea of the Ecu with the Queen's head on one side, I would indeed be worried that we had already taken the first steps towards it.

Why nevertheless do I say that Mrs Thatcher ought to welcome the idea? I have in mind the side of her that is heir to the 19th century Manchester liberals and believes that the state's role is mainly to hold the ring and provide common services. Far the biggest excuse for state intervention in business affairs is the fear of an adverse balance of trade (which the great Scottish philosopher David Hume ridiculed 250 years ago). An economic Thatcherite should regard the balance of payments as a series of payments among companies and individuals, who themselves must face the consequences if they borrow or spend too much.

This will never quite be the case so long as there is a currency risk entering into transactions across frontiers. But in the words of the Spanish finance minister, Carlos Solchaga: as monetary union approaches, the Spanish balance of payments "will have as much relevance as the balance between Andalucia and the Basque country".

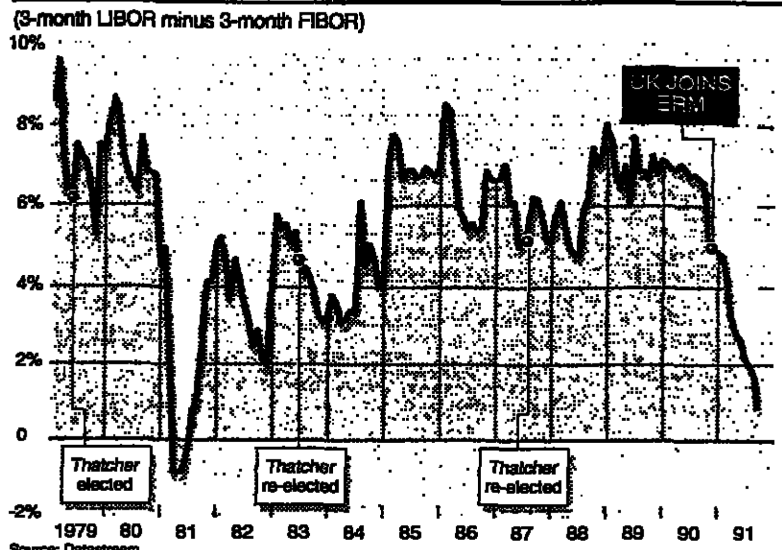
COLLAPSE OF UK INFLATION



Source: James Capel

UK-GERMAN INTEREST RATE DIFFERENTIAL

(3-month LIBOR minus 3-month FIBOR)



Source: Datastream

Of course regional problems will remain. But the mass of bogus problems *arising when perfectly viable* economies have current deficits offset by investment inflows will disappear (the leading example being Spain itself).

But man does not live by sound money alone. Will not a single currency also mean a single fiscal policy? *In one sense, yes. The fiscal element* in monetary union is wildly misunderstood. Some people think of a body in Brussels or Strasbourg telling the British Parliament what Vat rates are to be, or laying down common rates of income tax or thresholds. No doubt that is what many Eurocrats would like to happen. But what is required to make monetary union work is something much more limited and

If I hated the idea of the Ecu with the Queen's head, I would be worried

less politically explosive.

All that is really needed is some binding agreement to prevent member countries running excessive budget deficits. (Indeed the negotiators in Brussels at the inter-governmental conferences have gone quite far in defining what "excessive" means.) Such a fiscal accord does not require European countries to agree on the level of government spending, still less on common tax rates (which after all differ among the US states). The need is just for an accord stating that the gap to be bridged by borrowing will be kept within agreed limits.

None of this is crying for the moon. The world already had a *de facto* single currency before the first world war, when the dollar, pound, Mark and franc were simply different names for the gold coinage. A balanced budget was also the norm in times of peace. These ideas can all be translated into modern practices and terminology.

* * *

Meanwhile, few people realise quite how far UK inflation is being eliminated due to the combined affects of ERM membership and the domestic demand squeeze. It is this inflationary kill-off which gives the Tories their best economic claims at the election.

The credit for both belongs to someone who has been made the scapegoat for their misfortunes by less scrupulous Tories, namely Nigel Lawson. The UK would never have got near ERM membership without the long campaign by the former chancellor to show that it was not merely a Euro-gesture, but long overdue on economic grounds.

Less well recognised was Lawson's courage in raising base rates to the unpopular height of 15 per cent to break the inflationary momentum. He acted in the face of scurrilous personal abuse from politicians supposedly on his side – and despite the *snipping at his sterling policies from* the Thatcher circle, which caused interest rates to rise higher than would otherwise have been necessary.

Because of these unpopular actions, inflation is now set to fall further than it did in the last recession (although that was a severer one) and on a more durable basis. Tomorrow's headline year-on-year Retail Prices Index will be distorted by the timing

From now on chancellors will be 'no club golfers' - and no harm done

of mortgage interest changes. It will nevertheless understate the true counter-inflationary momentum.

CBI pay settlements are now down to 5¼ per cent – a computation which disregards the one in 10 companies where settlements have been suspended or postponed. The pay figure must be seen in conjunction with the renewed rise in manufacturing productivity since the end of 1990. The turnround has come earlier than in the previous deep recession of 1980-81 and has been much stronger.

For, although manufacturing output has fallen much less than last time round, manufacturing employment has dropped just as steeply. As a result, output per hour has been rising at an annualised rate of 8 per cent so far this year; and Keith Skeoch, of James Capel, makes a plausible case that it will rise to 10 per cent in 1992.

Norman Lamont was quite right to say that headline UK inflation is almost certain to drop below the German rate in the next month or so, even if he did not add that this would be because of opposite distortions in the two countries' price indices. Much more significant is the likelihood of the underlying gap between the two countries closing in the course of 1992. *Collapsing inflation is itself* a stimulant to consumer spending, without waiting for a prior expansion in the money supply.

Lawson was accused of being a "one club golfer" because he relied on interest rates to tackle the last inflation. From now on however, chancellors, so far from having more weapons, will not even have the interest rate one. In other words they will be "no club golfers". I shall shed no tears. The economy is not a game of golf. If you are looking for a system with the maximum number of economic weapons the model is the late and unlamented German Democratic Republic.

The first year of British ERM membership, when base rates fell by 4½ percentage points gave an altogether misleading idea of the scope for unilateral interest rate changes. The moves were possible because of the *extremely large differential* between British and German rates, which was originally 6 percentage points and has been eroded to 1 percentage point as credibility has been established.

It is unlikely that sterling's jitters this week will be enough to reopen the interest rate differential against *the pound. But they do confirm that* the foreign exchange market still has a slight dislike for the prospect of a Labour government. More important, they show that sterling cannot afford any more interest rates reductions for which the initiative is rumoured to have come from No 10 rather than No 11 Downing St (as with the last half per cent cut).

Assuming that confidence in the parity is maintained, even the chancellor will only have a marginal influence on UK base rates. From now on interest rate policy will be run at EC – and in practice still German – levels. The main weapon against UK inflation will no longer be domestic monetary policy, but the knowledge that inflationary cost increases cannot be passed on in international markets or even in import-sensitive domestic ones. The initial impact of a counter-inflationary squeeze will no longer be felt in property prices or domestic services, but in traded goods, including manufacturing.

These are important changes in the rules of the game which will occur even under the present hard version of the ERM, let alone a fuller monetary union. It is time to be more fully prepared for them.

LOMBARD

Hurt feelings, burnt rubber

By Ian Davidson

Last weekend in the Netherlands a meeting of the European Community's Council of Ministers gave rise to an extraordinary scene of cops and robbers. When the meeting broke up, Mr Roland Dumas, the French foreign minister, and his German counterpart, Mr Hans-Dietrich Genscher, engaged in an unseemly car chase in an attempt to pre-empt the presidential press conference of Messrs van den Broek of the Netherlands and Jacques Delors of the Commission.

They failed; but their schoolboy display of pushing and shoving did not end there. Messrs Dumas and Genscher announced they would be holding their own meeting tomorrow to discuss the defence dimension of the future European political union, which they would "co-ordinate with other member states on the same wavelength".

Since then tempers have cooled. The French and German foreign ministers have (almost) apologised to their Dutch colleague; they have denied any intention of discourtesy towards the Community presidency; and tomorrow's cabal of like-minded member states turns out to be nothing more than another bilateral Franco-German meeting, with the modest addition of the Spanish foreign minister *to make up the numbers.*

The history of the EC boasts rather few memorable car chases, and one is tempted to dismiss this one as a temporary breakdown in an otherwise impeccable diplomatic machine; but in fact it may tell us something quite interesting about what is going on.

In the first place, these 12 foreign ministers have been negotiating with each other almost continuously for several months. The political union treaty is a project with massive implications for the future, and the Yugoslav crisis is already spelling out some of these implications before the Community is quite ready. Nobody should be surprised by a little breakdown.

But there is obviously more to it than that. Even if the foreign ministers were over-tired and scratchy, the histrionics were symptomatic of more profound issues.

The obvious explanation is that the French were incensed by last week's Anglo-Italian statement urging the development of a European defence identity closely linked to Nato. By contrast, France and Germany have repeatedly argued for a European defence identity closely linked to the Community; and Dumas and Genscher may be expected to repeat that argument on Friday.

Last weekend's flare-up may have deeper reasons, however. Under President Mitterrand, the French have long been accustomed to playing the Pied Piper to their Community partners; but now they may be afraid of losing control of events.

To be sure, they do not like the pro-Nato flavour of the Anglo-Italian paper. But what really upsets them is the signature of the Italians, whom they have assumed they could count in the unconditional pro-Community camp. The French boast of their bilateral links with Germany, but they do not care for the bilateralism of others.

But last week's deviationism by the Anglo-Italians was trivial compared with the sin of the Germans, who committed the double fault of (a) signing a *bilateral statement with the US* in which (b) they proposed the creation of a co-operation council between Nato and the countries of eastern Europe. The French accuse the Germans of making gratuitous concessions to US ambitions, of expanding Nato's political role, and of weakening the Community.

In the wake of Sunday's car chase, the French PR line was a mass of confusion and contradiction, and no wonder. President Mitterrand insists that the Community must have a federal vocation. He also insists on the question of defence as the ultimate litmus test. But he further insists that the federal principle does not apply to defence. No wonder his foreign minister eventually feels the need to break out with a good car chase.

LETTERS

Government may function best when sovereignty is seen as divisible

From Mr Brian Reading.

Sir, Why do politicians treat sovereignty as if it were virginity, to be retained or lost? It is divisible. The real issue is at what level each function of government is best performed. Emptying dustbins should probably be left to local government. Regions ought perhaps to control the police. National governments should have the last say on education and the European Community on air traffic control. It is unlikely that everybody will agree with these examples. But that is the point. The debate, as over states' rights in America, should be about who controls what.

Talk of a Brussels straitjacket is nonsense. In those areas of government best determined and performed at the Community level, Brussels should be able rigorously to impose European regulations. The same is true of national, regional and local government. The issues are how, democratically, laws should be made at all levels of government and how sovereignty should be divided between them.

Freedom is best ensured by the dispersion of sovereignty, its evolution upwards and devolution downwards. The reverse was the Thatcherite goal. During the past decade power has been increasingly concentrated in Westminster. Given our unfair electoral system and the bloated powers of our executive, together with the bad job governments of both parties have made of running the country, a diminution of Westminster's area of authority seems desirable.

One should also remember, when anti-Brussels politicians beat the nationalist drum or when pro-Europeans oppose referenda, that all have a vested interest in maintaining the pre-eminence of Westminster and its largely undemocratic system of elected dictatorship.

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Extraordinary conclusions

From Dr Frank A Heller.

Sir, You report the employment secretary, Michael Howard, saying ("Works councils opposed, says Howard", October 9) that a significant majority of people who responded to a departmental inquiry believed that mandatory works councils, as proposed by the European draft directive, would undermine existing employee involvement and seriously damage business efficiency.

These are truly extraordinary conclusions in view of the uncontested fact that such works councils have not ruined German business efficiency, nor that of other European countries which long ago adopted mandatory schemes.

What is particularly serious is the poor scientific basis on which the employment department is prepared to make such statements. You report that 445 organisations were sent questionnaires, but the minister's conclusions were based on only one-quarter of that number. *This is no way to conduct* marketing or politics and it is no way to impress our European partners that we are sufficiently serious to make a useful contribution to their deliberations.

Frank A Heller,
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Greenpeace and the 'irrationality' of pollution

From Mr Stephen G Sawyer.

Sir, Peter Knight's article (Business and the Environment, *September 25) concerning* Greenpeace's campaign to stop Albright and Wilson from polluting the Irish Sea contained the most astounding assertion by the company's spokesman, Mr John Pickup, which cannot pass uncorrected. He states: "We have never imposed a load on the environment above our consent level."

This will be news to the magistrates who convicted the company in August for doing just that in a court case brought by Greenpeace, the first such private prosecution of a chemical company under the Water Act 1989. The company revealed in court that it had exceeded its pollution licence at least periodically over the previous two years and had deliberately done so during experiments last year in a bizarre attempt to refute our allegations.

We have accordingly initiated a second prosecution of Albright and Wilson which details five separate pollution offences concerning illegal discharges of heavy metals into the Irish Sea. This is hardly a path our legal advisers would have suggested we pursue had the company's responses as reported in your article been correct.

In addition, official National Rivers Authority data shows that almost 70 per cent of the times the NRA has tested the discharge, it has been over the legal limits it has set.

Finally, Greenpeace is accused by Mr Pickup of "horrifying irrationality". To us it is the legalised polluting of the world's oceans which is horrifyingly irrational.

Stephen G Sawyer,
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1016 DW Amsterdam

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Britain's charitable sector needs stronger supervisory body

From Mr Ansel Harris.

Sir, It is expected that the Queen's speech at the end of the month will *announce* legislation based on the 1989 Charities White Paper.

On May 5 1990 you published a letter from me, "Oxfam inquest needs fresh blood". An inquiry by the Charity Commission had just been announced following Oxfam's proposal to launch a campaign urging continued sanctions against South Africa. The inquiry was to investigate whether Oxfam's campaigns involved "undue political activity". The letter suggested that this investigation, the fourth in five years, be conducted by a commissioner who would come new and fresh to the subject, or better still, be an outsider, a member of the legal profession.

In May 1991 the results of the inquiry were published, but were deficient on two counts. First, in March 1990 the Oxfam trustees were cautioned by the Charity Commissioners after they found evidence that "makes it clear that Oxfam has taken sides in political controversies within foreign countries". They wrote to the trustees "requiring among other things their assurance that material of this nature will not be published in the future".

And yet, a year later, after finding "that some of their current campaigning work was political and not charitable", the commissioners decided not to use their powers because "they accept that the trustees acted in good faith"!

The second deficiency relates to the commissioners' confirmation at the outset of the 1990 inquiry that a complaint raised about the political thrust of "an education booklet, Palestine & Israel, would be considered as part of the *commissioners' inquiry*". For it subsequently transpired that when Oxfam was informed of the topics to be reviewed "in the light also of the guidance given to Oxfam trustees in recent years" this publication was excluded.

These specific instances demonstrate the urgent need for the Charity Commission to use the powers it already has and to be strengthened in areas where it needs strengthening.

"The annual turnover of a charitable sector is now some £13bn" (1989 Charities White Paper), government funding and tax concessions to over £2.5bn. The sector requires a *stronger watchdog and supervisory* authority than it presently enjoys. It is to be hoped that proposed legislation will acknowledge this and provide for it.

Ansel Harris,
national honorary treasurer,
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FINANCIAL TIMES
Thursday October 10 1991

Leading contenders reach truce in race to produce next-generation recording system

Philips and Sony announce audio deal

By Michael Skapinker in London and **Emiko Terazono** in Tokyo

MUSIC LOVERS awaiting a next-generation recording system to complement their compact disc players were yesterday faced with a likely choice between two incompatible products.

Some had hoped the competition to develop a new high-fidelity recording system would produce a clear winner and make future purchasing decisions easier. Instead, Philips of the Netherlands and Sony of Japan, the two leading contenders, yesterday reached an apparent truce and announced support for one another's technologies.

Philips has agreed to help simplify licensing procedures for Sony's proposed Mini Disc, a miniaturised version of the compact disc which can record music.

In return, Sony's music subsidiaries will sell tapes for the Digital Compact Cassette (DCC) from Philips, which looks like a traditional audio cassette but matches the quality of sound of a CD.

Some music industry executives believe Philips stands to gain more from the agreement than Sony. Philips's product, expected to be released in the first half of next year, is at a more advanced stage and observers believe the agreement indicates the Dutch group's confidence.

The two companies, which developed the CD together, believe there is a consumer market for better recording technology. Worldwide unit sales of cassettes fell last year for the first time since they were introduced in 1965.

Consumers who want to listen to DCC will have to buy a new tape player which is expected to sell for between £300 and £500. DCC machines will also play traditional audio cassettes.

Philips said 59 electronics and music companies had already agreed to back DCC. They include the Japanese groups Matsushita, Sharp and Sanyo, and music companies such as PolyGram, EMI, Warner, MCA and BMG. Philips said Sony has agreed to become DCC's 60th backer.

Sony, which bought CBS Records in 1988, confirmed it would produce DCC tapes. It said it had not decided whether to make DCC players.

In return for Sony's support, Philips will assist the Japanese group in developing the Mini Disc.

Philips holds technical patents for the optical magnetic disc technology and other aspects of the Mini Disc system. The Philips and Sony patents will be put into a common pool. Electronics companies will be able to apply to Sony for a licence rather than having to negotiate separate contracts with both Sony and Philips.

Philips, however, has made no commitment to make Mini Disc players itself. PolyGram, a Philips subsidiary, said it had no immediate plans to issue music recorded on the format.

Support from music companies will be essential to the success of Sony's system. The refusal by record companies to sell music on Digital Audio Tape (DAT), an earlier Sony system, ensured its failure in the consumer market.

Sony says EMI, Warner and BMG have agreed to support the Mini Disc. The three companies confirmed they were interested in the system but believed DCC would reach consumers first.

Peace conference efforts complicated by two volatile issues

Israel defiant on flights over Iraq

By Hugh Carnegy in Jerusalem

ISRAEL yesterday said it would take whatever action it saw fit to counter a missile threat from Baghdad, rebuffing US complaints over flights by Israeli jet fighters over Iraq.

At the same time, Jewish activists backed by ministers opposed to US efforts to convene a Middle East peace conference occupied several houses in east Jerusalem. They are trying to establish a permanent Jewish presence in an Arab neighbourhood occupied by Israel during the 1967 Six Day War.

The two highly volatile issues will complicate the task of Mr James Baker, the US secretary of state, who is due to return to the region at the weekend for the eighth time to try finally to overcome scepticism among Arabs and Israelis about starting talks.

Yesterday, the Syrian Times, an official mouthpiece, said Israel was leaving no chance for peace, but was preparing to launch "more armed attacks on the Arabs". It called on Washington to cool "the hot heads of Israeli leaders".

The White House complained directly to Mr Yitzhak Shamir, the Israeli prime minister, about reports that four Israeli F-15 fighters had flown over Iraqi territory on Friday, apparently on a surveillance mission.

In its complaint to the United Nations, Iraq said the aircraft entered Iraqi airspace from Syria and left into Saudi Arabia. The aircraft could not have reached Iraq without violating the airspace of either Syria, Jordan or Saudi Arabia.

Washington was clearly anxious that such action could provoke military confrontation with Baghdad, disrupting UN efforts to neutralise Iraq's offensive capability, and upset any other states overflown just as they are being coaxed into peace negotiations.

Israeli border police attempt to defuse tension after a scuffle in the Arab neighbourhood of Silwan where Jewish settlers have taken over a number of houses

Israel was unrepentant. Mr Moshe Arens, the defence minister, said: "We will take all steps we see fit under present circumstances. According to our evaluation, the Iraqis still have the capacity to launch missiles at Israel and therefore any intelligence connected to this capacity is valuable to us."

The government, which acceded to US pressure not to retaliate against 40 Iraqi Scud missile attacks on Israel during the Gulf war, is worried that US threats to resume military action against Iraq could provoke renewed Iraqi attacks on Israel.

But Mr Shamir would also have been fully aware of the possible political impact on the peace process made by taking such action now. Likewise, he must realise the disruptive potential of yesterday's night-time swoop on houses in the Jerusalem Arab neighbourhood of Silwan by a group of armed Jewish settlers.

The group, saying they had legal title to the buildings, later vacated all but one of the houses. They were backed by Mr Ariel Sharon, the housing minister, and other right-wing ministers who make no secret of their desire to sabotage the peace conference.

Mr Shamir has not gone that far, but his enthusiasm for the peace conference has cooled. He sees a clear US tilt in favour of the Arabs – by linking extra US financial assistance to the peace talks – and the backdoor entry into the process by the Palestine Liberation Organisation, evidenced by the PLO-US go-between role assumed by Palestinian negotiators Mr Faisal Husseini and Mrs Hanan Ashrawi.

UK moving towards return of boat people

By Lionel Barber, US Editor, in Washington

THE British government, gambling that it has neutralised US objections, is expected to announce next week that it intends to go ahead with the forced repatriation to Vietnam of boat people in Hong Kong who have been denied refugee status.

The US has strongly opposed the forced return of tens of thousands of Vietnamese, but has offered no public criticism of an agreement on repatriation reached between London and Hanoi at the end of last month.

The low US profile follows a letter from Mr John Major, the British prime minister, to President George Bush in which the British prime minister set out the arguments for repatriation, and urged the administration to view sympathetically Britain's efforts to tackle the refugee crisis in Hong Kong.

President Bush has yet to respond to Mr Major's letter, and US officials cautioned yesterday that he was receiving conflicting advice on how far he should support the British position.

Some 64,000 boat people are being held in Hong Kong, many in squalid camps. Nearly 20,000 have flooded into the British colony this year, with some 3,000 arriving last month alone.

Mr Major told Mr Bush that the Hanoi government has assured Britain that no refugee who returns to Vietnam will face persecution, and that both the British government and the United Nations High Commission on Refugees (UNHCR) will monitor the returning boat people, according to a US official.

A second key point is that Vietnamese migrants to Hong Kong will be screened to distinguish between economic and political refugees under a programme managed by the UNHCR and agreed under a Comprehensive Plan for Action at a UN conference in Geneva in 1989.

Under the British plan, repatriation will unfold in three stages. So-called "double-backers" – those who have returned to Hong Kong a second time around – will go first; new arrivals from Vietnam will follow; the third category will be those already screened under United Nations procedures.

The US attitude remains a crucial factor. Washington refuses to normalise relations with Vietnam or lift the trade embargo until Hanoi accounts for American soldiers still "missing in action" from the Vietnam war, and plays a full role in a peace settlement in Cambodia.

However, in a sign of its ambiguous policy, the US has pledged to support the principles of the 1989 Geneva conference, while still opposing forcible repatriation.

US officials said yesterday that future public comments would be influenced by how delicately the British and Hong Kong authorities handle the deportations. There was an outcry in the US after Hong Kong deported 51 boat people, many women and children, in December 1989.

Mr Major is expected to announce the repatriation decision during next week's Commonwealth conference in Zimbabwe.

THE LEX COLUMN

A less than sterling performance

Things must have come to a pretty pass when the Bank of England intervenes to support sterling in the middle of a Conservative party conference. Admittedly the currency managed to recover some ground by yesterday's close, but the fact that it is now caught up in the political crossfire has disturbing implications for equities too. The verdict of the foreign exchanges appears to be that while the Labour Party conference last week boosted Mr Kinnock's standing, the Tories have floundered amid controversy over health and transport and fears that Mrs Thatcher would steal the show.

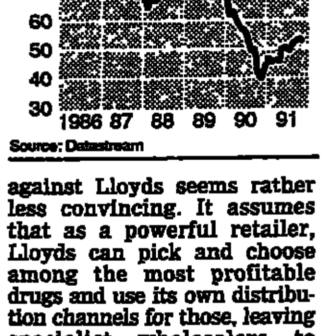
With sterling still some five pfennigs above its effective ERM floor there is room to sell it lower. Moreover, its weakness shows how risky a small differential with German interest rates actually is. Mr Major's decision not to hold an election in November immediately made a conference rate cut less likely. Now it looks as though it could be months away.

Against that, the chancellor's reminder that inflation will soon fall below that of Germany impresses little. Even the International Monetary Fund, which is relatively optimistic on the recovery, says UK policy will have to remain tight to ward against inflation next year. With house prices likely to fall this year, there is not much of the famous "feel-good" factor in prospect. Indeed, the old risk of a vicious circle is resurfacing, in which political worries destabilise financial markets, preventing the very rate cut which would have calmed the voters.

FT-SE Index: 2,584.1 (−15.4)

Moneycentre Banks

S & P Index relative to the S & P Composite Index



Source: Datastream

Lloyds/Macarthy

The surprise referral to the Monopolies and Mergers Commission of Lloyds Chemists' £83m recommended bid leaves Macarthy high and dry. A few weeks ago, it had three bids on the table; today, Grampian Holdings' offer is the only one to have survived the scrutiny of the Office of Fair Trading, but it has been rejected by Macarthy as inadequate. The MMC will take until January to investigate and it is unclear what Macarthy's management can do except sweat it out.

As for the referral, the OFT cited the same grounds it used to refer the bid from Unichem – that it feared for competition in the wholesale distribution of prescription drugs. This was logical enough when applied to Unichem, which already controls 28 per cent of that market. The argument against Lloyds seems rather less convincing. It assumes that as a powerful retailer, Lloyds can pick and choose among the most profitable drugs and use its own distribution channels for those, leaving specialist wholesalers to deliver the rest. But this applies in trumps to Boots, which not only has a significantly more powerful market position as a retailer, but in addition manufactures drugs.

If its bid is eventually blocked, it will look suspiciously as if Lloyds is paying the price for a long-standing competitive weakness in the wholesale delivery of prescription services. More likely, the bid will be cleared, in which case shareholders in both camps will have good reason to be aggrieved at the unnecessary delay.

UK life companies

The Institute of Actuaries is not a noted stock market mover and shaker. Its joint comments last week with the Faculty of Actuaries on life insurance accounting, however, appear to have sparked a sell off in life company shares. The sector, for instance, has underperformed by 5 per cent since the end of last month; Britannic and Legal & General shares are down 7 and 6 per cent respectively.

Adding to new competitive pressure from the banks is fear that the accruals method of accounting is now unlikely to be introduced in time for companies to apply it to their 1991 results. Revised proposals for making the switch were tabled by the Association of British Insurers this summer and are supported for two main reasons: firstly because the present method patently fails to give a true and fair view, and will run foul of the EC accounts directive in 1995; secondly because there is a belief that by highlighting *their hidden wealth in this way* traditional companies will be able to boost the value of their shares.

Agreement on accruals now looks further away as a result of the Actuaries' latest remarks. The objections are that the proposed method focuses too much on the profit and loss account, does not apply to mutuals, may not be compatible with the EC directive, and could excessively increase the volatility of reported profits. The ABI now has to study all responses but the betting is that at the least it will have to go back to the drawing board for another try.

Just as banks had to lift their skirts a few years ago, insurance companies will eventually follow. From investors' point of view a consistent approach should be paramount. It is worrying that after two years work by some of the best brains in the business a solution remains so far off.

US banks

There is something distasteful in the sight of politicians trying to solve economic problems by talking bankers into lending more. When this happens, as it did with developing country loans in the late 1970s, the bankers usually end up piling into bad loans. So, why should President Bush's latest credit crunch measures be any different?

One possible reason is that property loan losses have made both regulators and lenders unnecessarily cautious, another that the measures themselves are more cosmetic than substantive. The White House has long been under pressure on credit. Its measures – including lenient valuation of property loans by regulators and the admission of preferred stock as high-grade capital under international rules – may raise flows, but only at the margin. Banks are unlikely to rush out issues of preferred stock, an expensive form of capital in terms of both coupon rate and tax treatment.

Yet the ease with which the capital rules are being manipulated is not entirely innocuous. The rules are designed to enforce prudent behaviour from a class of professionals who have a record of easily forgetting about the risk involved in credit. If the banks really are being used to pump-prime the economy, then the recent merger-inspired rally looks misplaced.

Banks lend Algeria $1.5bn to ease debt

By Francis Ghilès in London

A GROUP OF eight international banks, co-ordinated by Crédit Lyonnais, has agreed to lend Algeria $1.5bn over the next 18 months in a rollover deal to ease debt repayments.

The money will help Algerian banks, represented by Crédit Populaire d'Algérie, to repay the principal on medium-term commercial bank loans, which carry no guarantees from western governments.

The debt rollover should give Algeria greater room for manoeuvre as it continues efforts to liberalise the economy after years of socialist rule.

Austerity policies over the past few years have been a factor behind urban riots and the rise in Islamic fundamentalism.

An accord between Algeria and its commercial bankers was a condition needed for the EC to release the first tranche of the Ecu400m ($488m) loan to Algeria in support of the country's economic recovery agreed last month.

The EC money will go to rebuild the hard currency reserves, which fell to $500m during the summer.

Reserves also include 5.4m troy ounces of gold, whose market value is just under $2bn.

Foreign bankers had been alarmed by accusations made in summer by members of the Algerian government, led since the June riots by Mr Sid Ahmed Ghozali, that the governor of the Banque d'Algérie, Mr Abderrahmane Hadj Nacer, had sold some of the gold.

The amount of gold is unchanged, its market value just below $2bn.

At the same time, Algeria's deal with the banks will allow the IMF to proceed with further disbursements of its SDR300m ($405m) facility agreed in June.

The first tranche of the commercial bank credit amounts to $1.1bn, with a maturity of eight years.

It will help "reprofile" credits with maturities of two years and more, two-thirds of which are held by Japanese banks. It carries an interest rate of 1.5 per cent over Libor.

The second tranche, with a five-year maturity, will help refinance letters of credit with maturities from 360 days to two years, the bulk of which are held by French and Arab banks. It carries an interest rate of 1.375 per cent over Libor.

The agreement will help Algeria reduce its debt service ratio next year from the current 73.4 per cent of exports to around 60 per cent in 1992.

Of the $5.9bn in external funding for this year, $2.9bn will come in export credits, $840m in multilateral credits (two thirds from the World Bank), $1.47bn in bilateral credits (including $800m from Italy), and roughly $1bn from international banks.

Portugal seeks EC unity

Continued from Page 1

increase in EC aid and greater flexibility in fund usage when the financial assistance package was discussed next year.

"What we ask for is time and support for restructuring," he added. "We expect financial resources not to diminish. Different countries must qualify for structural funds depending on their conditions. Structural funds should rise as a proportion of the Community's total budget, and will have to increase in order to achieve the new objectives defined in political union."

Portugal will also need greater resources, he says. "I think the structural funds [for Portugal] will have to increase substantially in the next four years."

The levels of government financing for EC-backed projects should also be revised, as they put pressure on the budget – the deficit this year is expected to be near 6 per cent of gross domestic product – by increasing expenditure. "We have to reduce our budget deficit to create the condition for joining the EMS."

IMF warns Soviet Union

Continued from Page 1

tive drop in eastern Europe between 1989 and 1991 ranges from about 10 per cent in Czechoslovakia and Hungary to 35 per cent in Bulgaria.

● **Quentin Peel in Bonn** writes: Germany called on the Soviet Union to produce details of its balance of payments situation and the extent of its gold and foreign currency reserves, in time for talks with the G7 nations in Bangkok tomorrow.

Mr Theo Waigel, the German finance minister, said the Soviet Union and its constituent republics must now "open their books" to enable the western world to put together an appropriate package of assistance.

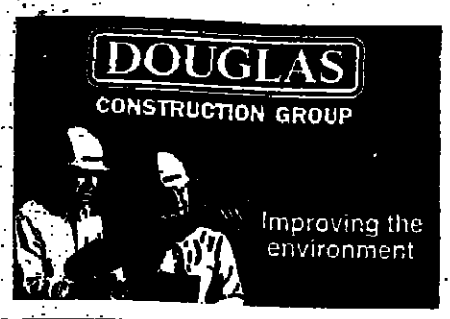
His plea reflects western frustration at the lack of reliable information from the Soviet Union, as well as at the uncertainty about whom to deal with in Moscow.

Mr Waigel repeated German concern about the need for the Soviet Union to honour its debts, which he said should be perfectly manageable in the long term.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	24	75
Algiers	S	28	82
Amsterdam	C	14	57
Athens	S	23	73
Bahrain	S	31	88
Bangkok	C	32	90
Barcelona	F	23	73
Beirut	S	26	79
Belfast	F	13	55
Belgrade	S	24	75
Berlin	S	21	70
Biarritz	F	18	64
Bombay	S	30	86
Bordeaux	F	16	61
Boulogne	S	16	61
Brussels	S	18	64
Budapest	F	17	63
Buenos Aires	F	18	64
Cairo	S	30	86
Cape Town	F	21	70
Caracas	C	28	82
Casablanca	C	19	66
Chicago	S	11	52
Cologne	S	19	66
Copenhagen	S	16	61
Corfu	S	25	77
Dallas	S	11	52
Dublin	C	13	55
Dubrovnik		–	–
Edinburgh	R	11	52
Faro	S	17	63
Florence	S	21	70
Frankfurt	C	13	55
Geneva	S	15	59
Gibraltar	R	17	63
Glasgow	C	12	54
Helsinki	Fg	11	52
Hong Kong	S	29	84
Innsbruck	S	19	66
Inverness	R	9	48
Islamabad	F	30	86
Istanbul	F	20	68
Jakarta	F	34	93
Jersey	F	13	55
Johannesburg	C	24	75
Lima	C	20	68
Lisbon	S	17	63
London	F	17	63
Los Angeles	Fg	16	61
Luxembourg	S	16	61
Madeira	F	19	66
Madrid	Dr	13	55
Majorca	F	25	77
Malaga	R	16	61
Malta	S	28	82
Manchester	S	16	61
Manila	F	32	90
Melbourne	C	15	59
Mexico City	C	18	65
Miami	F	23	73
Milan	F	19	66
Montreal	F	9	48
Moscow	F	12	54
Munich	S	17	63
Nairobi	F	27	81
Naples	S	25	77
Nassau	C	30	87
New Delhi	S	31	88
New York	S	12	54
Nice	S	21	70
Nicosia	F	25	77
Oporto	S	15	59
Oslo	C	11	52
Paris	C	14	57
Peking	C	23	73
Prague	F	19	66
Reykjavik	R	6	43
Rhodes	S	24	75
Rio de Janeiro	C	21	70
Rome	S	24	75
Salzburg	S	19	66
San Francisco	S	11	52
Seoul	S	24	75
Singapore	F	30	86
Stockholm	S	15	59
Strasbourg	C	13	55
Sydney	F	17	63
Taipei	C	26	79
Tangier	C	18	64
Tel Aviv	F	26	79
Tenerife	C	23	73
Tokyo	R	17	63
Toronto	F	14	57
Tunis	F	32	90
Valencia	S	22	72
Venice	F	19	66
Vienna	C	14	57
Warsaw	S	20	68
Washington	S	10	50
Zurich	S	15	59

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder



FINANCIAL TIMES
COMPANIES & MARKETS

 Thursday October 10 1991

INSIDE

BAe investors want board changes

British Aerospace's institutional investors are demanding further management changes to halt the fall in its shares which yesterday closed 3p below the 380p rights issue price in London. Sir Graham Day (left), the new chairman, has already promised to strengthen the board. But big shareholders want him to accelerate the process to restore confidence in the company. Page 22

Creditors of Willaire arm meet

A meeting has been called today for creditors of Airmead, an electronics division that late last month was put into voluntary liquidation by Willaire Group, the environmental and electronics concern. There has been concern that the meeting might attract little attention as Airmead was a name unknown to employees and customers until the liquidation. They believed the division was still called Willaire Electronics. Page 27

Airport becomes a millstone

Mr Akio Kondo, president of All Nippon Airways, the fast-expanding Japanese airline due to make its debut on the London Stock Exchange today, has one big headache – Narita, Tokyo's main airport. No solution is in sight for the lack of capacity at Narita, where expansion has been held up for more than 15 years by the protests of local farmers. Page 24

IBM unveils European sales plan

IBM, the world's largest computer-maker, spelled out plans to sell its products and services throughout Europe under other manufacturers' labels. Page 24

Chemist bid scuppered by MMC

Lloyds chemists' £83m bid for Macarthy, which owns the Savory & Moore UK chemists chain, has been scuppered, at least until next year, by a referral to the UK Monopolies and Mergers Commission. Page 27; Lex, Page 20

Aluminium piles up

As stocks of aluminium continue to mount rapidly in the west, startling news has emerged of the Soviet Union's aluminium production capacity, which seems to be around the 4m tonnes level. This figure compares with western production estimated at about 15m tonnes this year. Page 30

Gloom in Nordic banking

Banking shares in the Nordic region have plummeted in the past two months. During the year, the troubles of many of the leading Nordic commercial banks have multiplied as a result of mounting credit losses. Back Page

New loan stock launched

European stock markets have attractions in the 1990s. But one barrier to institutional investment is that some continental markets are highly illiquid, and difficult to invest in with confidence. But a recent issue has given institutions a chance to match the performance of a European stock market index in a traded form. Page 28

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Linotype-Hell	390	+	12
Rosenthal	257	+	13.5
Falls			
Aachen Mch	795	–	10
Leifholt	640	–	12
Linde	782	–	11
Sud Chemie	565	–	13
NEW YORK ($)			
Rises			
Chase Mnhttn.	18⅛	+	½
Falls			
Ford	29⅞	–	¼
Gen. Motors	37⅜	–	1⅛
Merrill Lynch	45	–	2½
Nordstrom	33¾	–	8½
Union Carbide	19	–	½
PARIS (FFr)			
Rises			
Cetelem	622	+	22
Imm de France	895	+	15
Falls			
Accor	761	–	15
Eurocom	712	–	16
Fonc Lyonnaise	635	–	19
Sp.Batignolles	459	–	14
TOKYO (Yen)			
Rises			
Daito Wool	1060	+	100
Godo Shusei	1330	+	110
Kaken Pharm.	1470	+	90
Falls			
Daiwa Heavy	1090	–	90
Gajoen Kanko	425	–	36
Nihonbashi Wbss	1110	–	170

LONDON (Pence)			
Rises			
ADT	542	+	14
BM Group	428	+	10
Brent Walker	26½	+	4½
Fisons	484	+	21
Harding Grp	19	+	5
ML Labs	653	+	71
Triplex Lloyd	156	+	12
Falls			
ASDA	42	–	4
Alan Paul	42	–	6
Austin Reed A	168	–	10
Elec Pkg pp(E)	2113	–	65
Kl'wort Benson	326	–	14
Macarthy	251	–	16
Midland & Scot	73	–	3
Pearson	751	–	17
Taylor Woodrow	170	–	6
WPP Group	56	–	4
Wellcome	704	–	17
Welsh Water	377	–	16
Westmin Scaff	25	–	5

Allied-Signal to write off $880m

Dividend will be cut by 44% and 5,000 jobs are to go in restructuring, writes Alan Friedman

ALLIED-SIGNAL, the US aerospace, automotive parts and engineered materials group, is to write off $880m in the third quarter, slash its dividend by 44 per cent and eliminate 5,000 jobs as part of a wide-ranging restructuring aimed at cutting costs and achieving a positive cash flow by next year.

The restructuring programme, which will reduce Allied-Signal's workforce by 14 per cent, will result in losses for both the third quarter and the whole of 1991.

The New Jersey-based company, although profitable, has been suffering a negative cash flow for the past two years.

Its aerospace components and automotive parts businesses – which together account for 69 per cent of operating income – have been especially hit by recession.

The restructuring is the work of Mr Lawrence Bossidy, the former vice-chairman of General Electric who was named chief executive a little more than three months ago. Analysts have been expecting radical steps to overhaul the unwieldy and sluggish company, which derives 14 per cent of its revenues from the defence sector.

Wall Street reacted exuberantly to the tough package of cuts by marking Allied-Signal's share price $4½ higher to close at $40⅝.

Mr Bossidy, who said the company had been spending too much money on inefficient strategies, predicted that the sweeping measures would result in annual savings of $350m by 1994.

After a loss for 1991, he forecast earnings per share of $3.60 to $3.85 next year and $4.25 to $4.75 in 1993.

Allied-Signal plans to raise about $300m by selling eight non-strategic divisions and reduce 1991 capital spending by $225m, about a quarter of the total.

It intends to eliminate several layers of management, and streamline the administrative, accounting and data processing divisions, as well as consolidate the automotive division, where more than half of the job cuts will occur.

The company will also provide $200m more reserves for environmental clean-ups and respond to laws concerning damage to the ozone layer.

Allied-Signal will reshape its fluorine products group to concentrate on CFC substitutes for insulation and refrigeration rather than solvents.

The $880m of pre-tax third quarter charges include $390m of business and plant rationalisation in all major divisions, $290m of severance payments and the $200m environmental provision that will boost environmental reserves to $500m.

Some of the charges relate to Katalistiks, Allied-Signal's fluid-cracking-catalyst joint venture with Union Carbide. Union Carbide separately yesterday said it would take $60m of Katalistiks charges in the third quarter, part of a total of $100m to $150m.

Mr Bossidy said that while Allied-Signal had many strong businesses it needed "to act quickly and decisively to arrest the negative cash flows of the last two years".

He said the plan unveiled yesterday would improve profit margins and maximise potential in core businesses.

The dividend reduction, from a quarterly 45 cents to 25 cents, is expected to save $110m.

European tractors stuck in a mire

Andrew Baxter reports on an industry bogged down by falling sales and the low confidence of farmers

AS THE European tractor industry strives to pull itself out of recession, Mr Keith Sharrock is fighting to keep his head above water.

Mr Sharrock is managing director of F.R. Sharrock, a Massey-Ferguson dealer serving south Lancashire and Cheshire, and is bucking the industry trend by maintaining tractor sales more or less at last year's levels. "It's the same in all recessions. The strong usually survive," he said.

Helped by intensive local farming techniques, a popular model range, and the family company's 70 years of experience, Mr Sharrock is lucky. Many tractor dealers in the UK are at the sharp end of a 20 per cent fall in unit sales so far this year – and that decline is only average for Europe.

Even in the middle of a recession that has steadily enveloped much of Europe's manufacturing industry, few sectors could compile such an impressive list of negative influences as the $5bn tractor market.

Few, too, could view the future with such equanimity when the only track out of the mire – the reunified German market – is looking distinctly boggy.

The latest victims of the crunch were 650 of the 2,700 workers at Ford New Holland's Basildon tractor plant in the UK. The plant is part of NH Geotech, the largest producer in Europe, formed earlier this year from Fiat and Ford's agricultural and construction equipment interests.

The job cuts, announced last month, are unlikely to be the only ones in the industry in the next few years, and the perennial forecasts of impending doom for the smaller producers are being heard again.

The European tractor market is undergoing the sort of upheaval that characterised its counterpart in the US during the 1970s. The North American market has dipped about 10 per cent in the current recession, but now hopes to be stable over the next few years at about 110,000 units a year.

Europe, in contrast, has been dipping by between 4 per cent and 5 per cent a year since 1985, alternating between "large swoops and plateaux", according to the European head of one North American producer.

Since 1988, the market has fallen from about 221,000 units to 192,000 last year, and the industry estimates it will hit 160,000-165,000 units this year.

Mr Peter Quaglia, vice-president for communications and marketing at NH Geotech, said: "There is a set of uncertainties building on each other, some of which are purely psychological, which is even worse than problems that are quantifiable."

Many of the industry's problems are either shared with, or caused by, their customers in European farming. Overproduction of grain has depressed prices, farm set-aside programmes have been less successful than expected, and subsidies to farmers have been under threat. High interest rates have also dented farmers' willingness to invest, and the use of "machinery rings" for sharing heavy equipment, including tractors, is spreading from the continent of Europe to the UK.

Power struggle: small producers controlling half the market may miss out on eastern Europe

This year, a European Community cereal harvest of around 178m tons, the highest since 1984, will create a surplus of about 40m tons. The European headquarters of Deere & Co, the US agricultural and construction equipment maker, said the price pressure will continue.

For the tractor makers, the plan by Mr Ray McSharry, the EC agricultural commissioner, to reform the Common Agricultural Policy, by cutting prices and quotas and compulsory land set-asides, compounds the problem. The measures, said Deere, mainly affect the larger, professional farmers – the ones who buy new tractors and machinery.

The trend towards larger farms, which is spreading slowly from the UK to the continent, also encourages farmers to buy fewer, larger tractors, which are better built and last longer than their predecessors.

Mr Sharrock's unit sales have fallen about 30 per cent over the past 10 years because of this trend, although sales have risen in value and horsepower terms.

On top of all this are the uncertainties caused by the Gulf war, and recessions or downturns of varying intensity and length across most of Europe.

"Confidence about the future is not there in the farmer's mind," said Mr Nick Hird, European marketing director for Case IH tractors.

Scandinavian markets have been the worst hit this year, with falls of up to 40 per cent in units sold, while the only markets to have held up so far this year are Germany and Austria.

The old west German market – the largest in Europe – has been buoyed by the indirect effects of reunification, whereas the east, with its large farms averaging 4,000 hectares (ha) against just 16ha in western Germany, is a potentially huge market for large tractors of between 155hp and 160hp.

However, the German capital goods market began to lose its momentum this summer, and, said one producer, "the dawn of realisation" about the costs of reunification has hit home. This manufacturer has been so surprised by a 20 per cent fall in the German market over August and September that it no longer predicts a rise of 1,000-2,000 units next year across Europe. Another producer said: "The German gloss will go off over the next 12 months."

"On any objective analysis, you come up with a very long period of decline ahead. The market will fall perhaps another 20 per cent over the next four or five years or so."

But Mr Hird said farmers' confidence will return, and points out that the current year's downturn is out of line with the general trend.

Even Mr Sharrock sees a period of stability ahead after the declines of recent years.

The four larger manufacturers – NH Geotech, J.I. Case Europe, Deere and Massey-Ferguson – control 50 per cent of the market, and find it difficult to leapfrog each other technologically. They are also reluctant to tamper with the distribution networks that are their lifeblood.

With the exception of the newer NH Geotech, which plans to reorganise its manufacturing assets, the other big companies have already integrated their sourcing and manufacturing across Europe, leaving the option for job cuts, rather than closures, at individual plants.

This throws the spotlight on the smaller producers which control the rest of the market. Although local, they boast strong customer loyalty and political support in their markets.

But they face two problems in the 1990s. The European single market will – to the advantage of the big players – gradually remove the irritating technical idiosyncrasies and regulations that distinguish national markets. And, with the exception of the German producers, the minnows face missing out on the long-term opportunities offered by the reunified Germany and the political changes in eastern Europe.

But this is an eastern promise which, as yet, largely remains unfulfilled.

WEST EUROPEAN TRACTOR MARKET

Year	Units sold
1985	241,000
1986	210,000
1987	208,000
1988	221,000
1989	212,000
1990	192,000
1991	160,000-165,000*

*Includes eastern Germany
Source: UK agricultural equipment association and industry estimates

Ford says it expects a loss at year-end

By Alan Friedman in New York

FRESH evidence of the weakened state of the US motor vehicles industry came yesterday as Ford Motor, the second biggest US manufacturer, said it expected to suffer a loss for the last two quarters and the whole of 1991.

Ford said it expected its third-quarter loss to exceed the $324m deficit recorded in the second quarter. Ford lost $884m in the first three months of 1991.

Ford dismissed the third-quarter loss as a typically weaker period because of lower production resulting from holiday shutdowns and model change-overs. However, it blamed the sluggish US economy for its expected fourth-quarter loss.

"The pace of the economic recovery in the US has been slower than anticipated," the company said.

The loss forecasts were contained in a company prospectus for a new preferred stock offer of at least $750m. In the third quarter of last year, Ford had $101.7m of net income; it suffered a $519m loss in the fourth quarter of 1990.

Disclosure of the gloomy outlook brought an immediate response on Wall Street, where several analysts had been forecasting a return to profitability in the closing months of 1991. Ford's share price was marked ¾ lower to close at $29⅞.

Mr Ronald Glantz, analyst at Dean Witter Reynolds, said the previously announced $750m preferred stock issue "means Ford is saying it will borrow rather than cut its dividend".

Mr Harold Poling, Ford's chairman, warned last July that the second half of 1991 would be difficult. Unlike General Motors, which has benefited from profits outside the US, Ford lost $2m on its non-US automotive operations in the second quarter of this year, compared with $173m of earnings in the same period of 1990.

Ford's US problems are in line with the well-publicised obstacles facing its main competitors.

General Motors, the leading US carmaker, warned in August that slow growth in sales meant its core North American vehicle operation might not return to profit until 1993. GM suffered a loss of $1.17bn in the first quarter of 1991 and a deficit of $785m in the second quarter.

Chrysler, the smallest and most financially stretched of the Detroit's Big Three carmakers, has also embarked on a public share issue to raise about $400m in order to strengthen its balance sheet.

UK fund managers move towards global trading

By Norma Cohen, Investments Correspondent

A GROUP of 20 of the UK's largest institutional fund managers have taken the first step towards the development of an international electronic trade confirmation system which would smooth the way towards global securities trading.

The move, led by US-based Fidelity Investments, is intended to put in place a single uniform system allowing users to confirm transactions instantly in all types of securities, whether within the UK or abroad.

The group hopes to have the first steps towards a system in place by early 1992.

Mr Brian Smith, transactions manager at Fidelity, said the group hoped to obtain a "critical mass" using a single system. He said that if sufficient large institutional clients selected a single system, it would become the system chosen by brokers and other clients who at present have to choose among several, incompatible, systems.

Trade confirmation is the link between agreeing a transaction and settlement, that is, paying for and receiving securities. It can take three or more days to confirm that a transaction has been agreed under the largely manual system now in use.

Institutions say it will be impossible to meet the Group of 30's target of settling trades within three days of execution unless the confirmation process is automated. The Group of 30 is an international think tank of former international economic and financial policymakers.

Institutions also say that electronic confirmation will allow them to slash office costs and reduce the risk that verbally-agreed trades have not occurred.

So far, efforts to develop electronic trade confirmation have been conducted by trading system vendors selling their own products. However, none of the vendors has been able to gain a "critical mass" of customers which would make it the industry standard.

The lack of uniformity has forced brokers to install several systems to deal with their institutional clients and the systems are not compatible with each other.

The London Stock Exchange, which announced plans for an electronic trade matching system in 1989, has yet to begin work on its development. Only in the Eurobond market, where members own the so-called TRAX system, is international trade-matching possible. That system is run by the quasi-regulatory body, the Association of International Bond Dealers.

Last Monday, four of the largest vendors of trading systems gave presentations to a group of 20 institutions and 24 brokers. The four had been asked to devise a system to meet specifications drawn up by the institutional investors.

Institutions have been asked to comment on the presentations by October 11 and to nominate a favoured vendor, if possible. Background, Page 26

BAe investors urge board shake-up

By Roland Rudd in London

BRITISH Aerospace's institutional investors are demanding further management changes to halt the fall in its share price, which yesterday dropped to 355p during trading before closing at 377p, 3p below the 380p rights issue price.

Sir Graham Day, temporary chairman, has already promised to strengthen the board, but big shareholders want him to accelerate the process to restore confidence in the company.

In particular, they are pressing for the appointment of a managing director with overall responsibility for BAe's diverse businesses, to work alongside Mr Dick Evans, chief executive.

One investor said: "There is no question that Dick Evans is a great salesman and the only man capable of dealing with the Al Yamamah business. But he needs a managing director from outside to work with him."

Al Yamamah is the Saudi Arabian programme of military spending, which has contributed more than £8.3bn ($14.2bn) of revenues to BAe in the past few years.

BAe last night said that Sir Graham, in response to shareholders' concerns, had initiated a scrutiny of how the company is run alongside a search for a permanent chairman.

The investigation is expected to lead to the appointment of one or two operating managers, which could include a managing director.

However, BAe warned that it was not about to make an announcement just to please institutional investors. The company also stressed that it had not yet decided which new appointments were necessary.

Big shareholders are concerned that, without such a statement, BAe's shares may continue to fall in the next few weeks.

The 2-for-5 issue closes on October 28 and is designed to raise new equity to ease the company's short-term cash needs. "It does not look too clever," said one institutional investor. "The cash call will almost certainly be left with the sub-underwriters." This is of course unless the share price rises.

Institutional investors have resigned themselves to the fact that if any City of London group is interested in breaking up or bidding for BAe it is unlikely to make itself known until after the rights issue.

Trading in the nil-paid shares yesterday reached just 3.1m, with no signs of any stake building.

Earlier in the week, shareholders approved by an overwhelming 99.8 per cent majority the company's £432m rights issue.

KOP falls into red as banking crisis deepens

By Enrique Tessieri in Helsinki

KANSALLIS-Osake-Pankki (KOP), Finland's largest commercial bank, slid into the red during the first eight months of the year. The bank incurred a loss before provisions and taxes of FM318m ($77.4m), compared with a FM325m profit during the same period in 1990.

Credit write-offs, at the centre of the crisis troubling the country's banking system, surged to FM763.4m from FM362.2m. This strengthens the view that credit losses at all Finnish banks will rise this year to FM5bn against FM2.3bn in 1990.

The bank's profit from financial operations rose by 11 per cent to FM2.35bn. Other income fell 35 per cent to FM648.8m from FM1bn. Expenses were FM1.91bn, the same as in the corresponding period in 1990.

Dr Jaakko Lassila, president, blamed the rise in KOP's credit write-offs on an exceptional loss of FM250m from foreign exchange transactions and FM300m from credit losses in deals with Mr Pentti Kouri, New York-based Finnish financier.

● The country's bank supervision board yesterday expressed concern over the increase in unserviceable debts in Finland, which doubled in the first eight months this year to FM30bn.

London Fox probe widens

By Richard Waters in London

THE LONDON Futures and Options Exchange (Fox) has traded in several of its own commodities futures contracts to generate the impression that they were more popular with investors than was, in fact, the case, it has emerged.

Evidence of the trading in a number of different commodities contracts, uncovered in the widening investigation into London Fox's activities, will come as a further blow to the exchange, already in disarray after revelations of potentially-illegal activity in its property futures market.

Fox was forced to suspend its property futures contracts last week after it had lost several hundred thousand pounds trading them on its own account.

Mr Mark Blundell, the former chief executive who resigned at the weekend, has admitted to "initiating" certain trades, though he has said that he had not been motivated by personal gain.

It has since emerged that Mr Blundell encouraged brokers to trade the contracts by issuing indemnities to protect them against loss.

Following disclosure about the misdemeanours in the property futures market, investigations were launched over the weekend into other contracts traded on Fox.

Evidence has now emerged of similar trading by Fox in several other contracts.

All are traded on Fast, its automated trading system, rather than on the floor of the exchange.

Alongside property futures, which were launched in May, Fox has three unsuccessful commodity contracts on Fast: Rubber, which was launched in May 1990, but trading for which has now been suspended through lack of activity; rice, launched in November 1990; and arabica coffee, launched in March 1991.

It is thought that the latest misdemeanours concern these contracts.

Despite the widening evidence of wrongdoing at Fox, the Securities and Investments Board, the regulator which authorises it as a Recognised Investment Exchange, has been unable to launch its own investigation of the market.

The Financial Services Act, under which it operates, does not give it the power to investigate exchanges.

Roche sales up 17% at nine months

By William Dullforce in Geneva

ROCHE, the Swiss pharmaceuticals and chemicals group, yesterday disclosed a 17 per cent increase to SFr8.42bn ($5.7bn) in consolidated sales for the first nine months compared with the corresponding period last year.

With this positive development in turnover expected to continue in the final quarter, and barring extraordinary developments, 1991 profits should show another improvement, Roche said. Last year, the group posted net earnings of SFr948m and a cash flow of SFr1.6bn on sales of SFr9.67bn.

Turnover grew by 17 per cent in the first nine months, both in local currencies and Swiss francs. Sales of pharmaceuticals climbed by 22 per cent to SFr4.26bn; part of the increase stemmed from the inclusion from September of sales by Nicholas Laboratories, the European over-the-counter drugs business which Roche bought from Sara Lee Corporation.

Vitamins and fine chemicals showed a 13 per cent rise to SFr2bn while sales of fragrances and flavours grew by 21 per cent to SFr1bn.

Reduced demand in the US limited to 5 per cent the increase in the diagnostics division where sales also reached SFr1bn.

Société Générale surges to FFr1.8bn

By William Dawkins in Paris

SOCIETE GENERALE, the private-sector French bank, yesterday reported a 29.4 per cent rise in group net profits for the first half after a drop in provisions and a rise in banking income.

This recovery marks a sharp improvement from last year, when Société Générale announced a 25 per cent profits fall for the 12 months to December.

However, it comes among a mixed bag of first-half results from the French banking sector, with profits declines from Crédit Lyonnais and Compagnie Bancaire, roughly stable earnings from Paribas, and sparkling increases from Banque Nationale de Paris, the state-owned leader, and from Crédit Commercial de France, Société Générale's smaller private-sector rival.

The positive trends seen in the first half have continued in the third quarter, said Mr Marc Viénot, Société Générale's chairman.

Group profits rose from FFr1.41bn ($247m) in the first six months of last year to FFr1.83bn in the same period of 1991. Shareholders' funds rose by 22.5 per cent, from FFr27.1bn to FFr33.2bn over the same period, bringing net assets per share up by 11.4 per cent, from FFr625 to FFr696.

Net banking income rose by 9.2 per cent to FFr17.67bn, slightly ahead of a 7 per cent rise in management costs to FFr12.17bn in the first half, so allowing operating profits to rise by 14.2 per cent to FFr5.50bn.

Outstanding client loans rose by 11.2 per cent to FFr570bn, within which company borrowing led the way, with a 12.2 per cent increase, as against 7.5 per cent for private clients. Clients' deposits rose by 9.1 per cent to FFr328bn over the same period.

Provisions fell by 21.3 per cent to FFr2.62bn, mainly due to a reduction in provisions on share stakes. Société Générale maintained its rate of cover on its 10 main country debts, to more than 66 per cent.

Telecom companies plug into worldwide alliances

Hugo Dixon on a new framework for the industry

THE world's leading telecommunications companies are jockeying for position as they seek to form alliances which may set the framework of the industry for the next decade.

In Geneva, where the chairmen and chief executives of the top companies have gathered for a giant exhibition which takes place every four years. discussions have reached fever pitch.

There are at least three separate initiatives to form international alliances under discussion:

● Mr Iain Vallance, the chairman of British Telecom, was due to dine with Mr Helmut Ricke, chief executive of Germany's Deutsche Telekom, and Mr Haruo Yamaguchi, chairman of Japan's Nippon Telegraph and Telephone, last night to try to persuade them to join his new Syncordia venture, which aims to provide global communications for business customers.

● Mr Bert Roberts, president of MCI, the second largest US long-distance operator, was trying to break-up Syncordia and attract Deutsche Telekom into a rival project. "It is important for the Germans to keep their options open," he said.

● American Telephone & Telegraph, the largest US carrier, is holding discussions which might lead to another alliance. Mr Robert Allen, the chairman, is understood to have held a meeting yesterday with Mr Ricke to persuade the German operator not to ally with BT.

The ferment in the $300bn telecommunications services industry is similar to that experienced in the telecommunications equipment industry four years ago when it was restructuring itself into about half-a-dozen large international groups. The alliances seem unlikely to be finalised this week but they are expected to be formed within the coming months.

Haruo Yamaguchi: may join Syncordia venture

Following the progressive liberalisation of telecommunications markets in recent years, the old national monopolies are seeking to expand beyond their borders. The main aim is to establish global networks that cater to the needs of large businesses.

BT has been the most aggressive player with the launch of Syncordia last month. It decided to go it alone in the US market, basing the venture in Atlanta, Georgia, but is anxious to link-up with the German and Japanese carriers to get access to their markets.

BT's move has caused consternation in some parts of the industry, which is used to national phone companies co-operating with one another to handle lucrative international telephone calls.

MCI's rival project involves expanding Infonet, a data communications venture it already owns with 11 other carriers, including Deutsche Telekom.

Mr Roberts put BT's chance of succeeding at "zero, none, negative," because it did not have a US partner. He said that expanding Infonet to cover voice and video communications was only one of many irons in the fire.

Deutsche Telekom is in demand from all the consortia because it is the largest carrier in Europe and it is strategically positioned in the centre of Europe.

Mr Ricke said he did not want to be rushed into joining one alliance or another. "To do the best [deal] does not mean to do the first thing," he said.

Another Deutsche Telekom executive said there were three concerns with Syncordia. First, France Telecom, with which the German company has close relations, was not happy about Deutsche Telekom teaming-up with BT. Second, under BT's proposal, Deutsche Telekom would have only a 26 per cent stake. Third, there was no US partner.

NTT would not be drawn on whether it would join BT's alliance. "We are at present studying and considering Syncordia," said Mr Yamaguchi.

Spie Batignolles in FFr150m loss

By William Dawkins

SPIE Batignolles, the construction and plant engineering unit of France's Schneider group, yesterday reported a FFr150.5m ($26.4m) loss for the first half of the year and warned that it would make another loss in the current six months.

Much of the swing, from a FFr89.7m consolidated profit in the same period of 1990, was due to a FFr117m provision for the final part of Spie Batignolles' capital loss on the sale of its 14.5 per cent stake in Davy Corp, the UK engineering group, to Trafalgar House.

Spie Batignolles' turnover slipped by 5 per cent from FFr11bn to FFr10.5bn over the same period, though this turns into an underlying 1 per cent rise, adjusting for disposals. New orders expanded at the same time by 13 per cent, from FFr12.2bn to FFr13.8bn.

The group forecast that turnover should stabilise at around the same level as in 1990 and that new orders for the full year should rise from FFr22bn to at least FFr24.5bn.

IBM intensifies products push into European market

By Alan Cane

INTERNATIONAL Business Machines (IBM), the world's largest computer-maker, yesterday spelled out plans to sell its products and services throughout Europe under other manufacturers' labels.

The aim is to make available virtually all its hardware, software and services to other manufacturers to brand and sell as their own. The European announcement follows similar statements of intent in the US.

Mr Jack Hockley, IBM's European general manager for "original equipment manufacturer" (OEM), said the company aimed to become the premier source for information technology (IT) and non-IT related technology, parts and products. "Our goal is to persuade European manufacturers to source from Europe rather than the Far East", he said.

The OEM approach to distribution is common in the computer business but is comparatively new to IBM, which traditionally builds products only for its own customers.

Although it is the largest silicon chip manufacturer in the world, all its production has been channelled into its own products. Now it is working with Siemens, the German electronics group, on large silicon memories, a proportion of which will reach the market.

IBM believes that an aggressive move into the OEM market will:

- Broaden its market reach. In Japan, for example, Mitsubishi is marketing some of IBM's high-end mainframe computers, giving IBM access to Mitsubishi's customers and to public sector opportunities.
- Utilise fully IBM's production capacity. While competitors are retreating from manufacturing because of falling gross margins, IBM's automated facilities are highly efficient and OEM demand can help to balance production economies.
- Pre-empt competition. As a result of an OEM deal concluded earlier this year, Wang, the troubled US minicomputer-maker, now sells IBM mid-range machines to its customers rather than those of another competitor.

The policy change illustrates how keenly IBM wants to expand market share by any available method, as competition intensifies. Its share of the market for personal computers has been slipping, but it intends to expand it by sellings its machines to other PC vendors.

IBM has global ambitions in the OEM business. It estimates that the worldwide OEM market will be worth about $100bn annually by 1993, and that one-third of the total will be generated in Europe. The company plans to capture about 3 per cent of the global market within two years, rising to 5 per cent within four.

While its first target will be IT markets, it is also looking at the electronics, aerospace, automotive and medical equipment businesses which, it believes, will make up nearly half its OEM business in a few years.

IBM's OEM deals include those with Siemens, for large storage devices; Apple of the US, for hard disk drives; and Wang of the US, for personal computers, workstations and mid-range computers.

Groupe Bull of France has bought IBM's large disk drives for more than five years.

Stora and SCA warn of sharp declines

By John Burton in Stockholm

STORA and SCA, the two biggest Swedish forestry companies, have predicted sharp profit falls for the year as both concerns reported a decline of more than 30 per cent in earnings for the first eight months of 1991.

Stora yesterday downgraded its profit forecast for the year to SKr1.5bn ($244.9m) from its earlier estimate of between SKr2.2bn and SKr2.5bn. The 1990 profit amounted to SKr2.8bn.

Profits after financial items for the eight-month period declined by 31 per cent to SKr1.2bn.

Earnings would fall to SKr860m for the period if the engineering operations of Feldmühle Nobel, which Stora sold this summer, are excluded.

Stora blamed the decline, which was sharper than expected, on weaker demand for paper in Europe and production overcapacity for fine paper and magazine paper, with US producers cutting *prices for their paper exports* to Europe.

Profits were also hurt by lower prices for fluff pulp, with operating earnings for the pulp divisions falling by 94 per cent to SKr33m. The timber division reported a loss of SKr43m due to less construction activity in the Nordic region.

Operating profits were almost unchanged at SKr3.1bn, but the deficit for net financial items increased by 45 per cent to SKr1.9bn.

Sales for the period remained unchanged at SKr44.5bn, excluding the effects of acquisitions and divestments.

A further 500 jobs will be cut, increasing the total amount of planned redundancies to 3,500, as part of a *rationalisation programme* that includes the shutdown of a pulp production facility.

SCA reported that its earnings after financial items had fallen 33 per cent to SKr1bn, excluding income from the sale of several businesses. If these were included, profits declined by 11 per cent to SKr1.5bn.

It predicted that profits for the year would drop 35 per cent to about SKr1.4bn, against the 1990 result of SKr2.1bn.

Operating profits were almost unchanged at SKr2bn, while the deficit for net financial items more than doubled to SKr966m due to interest costs associated with SCA's takeover of Reedpack in the UK last year.

However, operating profits during the second four-month period fell 42 per cent to SKr739m against SKr1.3bn in the first four months.

Runway delays ground ANA plans

Stefan Wagstyl finds the airline hampered by a lack of airport slots

Glyn Genin

Part of the ANA fleet: the airline is keen to develop its international network

MR AKIO KONDO, president of All Nippon Airways, the fast-expanding Japanese airline due to make its debut on the London Stock Exchange today, has one big headache: Narita Airport.

Other problems pale in comparison with the difficulty in getting new slots at Tokyo's main international airport. Even the current slowdown in international business and the disruption caused by the Gulf war are just "short-term" difficulties, says Mr Kondo.

However, there is no solution in sight to capacity problems at Narita, where expansion has been held up for over 15 years by local farmers and pressure groups opposed to the construction of a new runway.

Nor is there room for extra flights at Japan's second largest airport at Osaka, though at least another international airport is under construction there. Kansai International Airport, despite delays, is due to go into operation in 1993. This will relieve pressure so much that airlines expect some passengers from Tokyo to travel via Osaka, using the bullet train.

This, however, will not solve ANA's problems at Narita, where work on the runway is going on in a desultory fashion around the protesting farmers. Mr Kondo says he is sympathetic to the farmers. "I understand why the situation cannot be resolved quickly. But at least the work is continuing in the no-problem areas, leaving the problem areas for later."

As far as revenues are concerned, ANA does not suffer too much since 86 per cent of its business is domestic. But its international expansion is severely hampered, says Mr Kondo. ANA had plans for an ambitious international network when authorities in 1986 allowed it to start offering international services in competition with Japan Air Lines.

Starting with a flight to Guam, a Pacific island, it has developed routes to 18 destinations, including Los Angeles, Washington, Beijing, Paris and London. Two new destinations are planned – Singapore and a city in Germany. However, other cities on the agenda since 1986 have yet to see ANA's aircraft. These include Manila, Jakarta, Shanghai, San Francisco, a city in Canada and one in Italy. Also, ANA would like to fly from Narita to Honolulu, the favourite destination of Japanese tourists, to add to its service from Nagoya.

Airlines already entrenched at Narita, however, are not going to give up their rights, least of all JAL, ANA's great competitor. "The slot war is worse than ever," says Mr Kenzo Yoshikawa, a vice-president. In the absence of slots at Narita, ANA is concentrating *on developing services in* Europe by using London or Paris as a sub-centre for flights to connecting flights to other cities, among them Barcelona.

Mr Kondo is not despondent. ANA remains committed to growth in both domestic and international services. In the year to last March, total revenues grew 11 per cent to Y803bn ($6bn). International revenues were up 13.5 per cent at Y96.8bn. The increase in passengers, however, did not keep pace with the expansion of international services, so costs rose and profits fell – down 21 per cent at the pre-tax level – to Y24.5bn.

ANA, with one of the largest aircraft buying programmes of any airline, has no intention of cancelling any of its purchases because of the downturn in the market. Eleven big jets are due for delivery this year, adding to the fleet of 129 aircraft. A further 25 are on order up to 1995, and 35 after that.

UTDC gains provincial support

By Bernard Simon in Toronto

THE ONTARIO provincial government has agreed to provide temporary financial support for UTDC, the Canadian urban transport equipment-maker, while negotiations proceed to find a buyer for the company.

Uncertainty over UTDC's future ownership has delayed several contracts which it hoped to win earlier this year, and the company has been unable to meet its payroll and other commitments.

An Ontario government official said yesterday that the aid was not a long-term bailout, but was designed "to stabilise the situation to ensure contracts can proceed".

Lavalin Industries, the troubled Quebec group, put its 85 per cent stake in UTDC up for sale earlier this year. Bidders include AEG Westinghouse Transportation Systems of Pittsburgh and Montreal-based Bombardier. The Ontario government owns the remaining 15 per cent.

UTDC is presently delivering 40 carriages to the city of Los Angeles and has won a small contract to build a subway station in Ankara, Turkey.

Its other business includes the operation of the baggage transfer system at Singapore airport and the maintenance of a commuter rail line in southern Florida.

The contracts that have been delayed include a substantial order for subway cars from the Toronto Transit Commission.

The Ontario official said the government hoped to finalise negotiations on the sale soon. The province is uncertain whether it will maintain its equity interest in the equipment maker.

- Montreal Trustco, the financial services arm of BCE, Canada's largest holding company, has pulled out of negotiations to buy Central Guaranty Trust, a large national trust company, writes **Robert Gibbens in Montreal.**

Central Guaranty was put up for sale early this year by its parent company, Central Capital, as part of a debt reduction programme. Central Capital, in turn, is controlled by Mr Leonard Ellen, a Montreal financier.

Fannie Mae sets profits record

By Patrick Harverson in New York

THE FEDERAL National Mortgage Association (Fannie Mae), the largest provider of residential mortgage funds in the US, has reported third-quarter net income of $350.7m, an increase of 17 per cent over the same period a year ago.

The record third-quarter earnings boosted profits for the first nine months to just over $1bn.

In the three months to end-September, Fannie Mae also set a record for the highest net interest margin in its history, and the largest volume of mortgage-backed securities issued in any one quarter.

Other features of the quarter included an $18.6m increase in net interest income, which stemmed from a $3.1bn rise in the average net mortgage balance and the positive effects of the sale of low-coupon mortgages and the repurchase of high-coupon debt in the second quarter.

The value of outstanding average net mortgage-backed securities issued by Fannie Mae was $330.1bn, up $19.4bn in the quarter.

Provisions for loan losses were $55.3m, slightly higher than in the previous three months, but still below the $58.3m recorded at the same stage in 1990.

- The Student Loan Marketing Association (Sallie Mae), which owns almost a third of all guaranteed loans to US students, has reported third-quarter net income of $87.2m, up 12 per cent on a year ago.

Net income for the first nine months of this year was $253.9m, up from $222.9m in 1990.

P&G sees slight drop in earnings

By Karen Zagor in New York

PROCTER & Gamble, the US consumer products group, warned shareholders that it expected slightly lower earnings in the first quarter.

Mr Edward Artzt, chairman and chief executive, said: "Despite strong growth in volume, we expect first-quarter earnings to be slightly below a year ago. Last year's first quarter was particularly strong, accounting for 31 per cent of our total earnings for the fiscal year."

In the first quarter of last year, P&G earned $555m, or $1.57 a share, on revenues of $6.65bn.

Mr Artzt told shareholders at the company's annual meeting that unit volume for the quarter had risen 8 per cent overall, with 3 per cent growth in the US and a 13 per cent improvement internationally.

He blamed the decline in earnings on higher investments in product innovation and geographic expansion. Mr Artzt also cited the impact of a strong dollar, lower pulp prices and the costs related to the recent acquisition of Max Factor's cosmetics business.

"Clearly the recession is still with us, Mr Artzt said. "US retail sales were off in August, and the consumer confidence index, which is measured against a base year of 1985, dropped from 78 per cent in June to 76 per cent in August, to 72 per cent in September."

P&G plans to invest more than $400m after-tax in product initiatives and global expansion in the coming year. That would be about 50 per cent above its average investment in each of the past three years.

Dow Jones results tumble 32%

By Alan Friedman in New York

DOW Jones, the US financial publishing group which owns The Wall Street Journal, said third-quarter net income had fallen 32.6 per cent year-on-year, to $16m, or 16 cents a share.

The company said net earnings for the quarter would have been 11 per cent higher if a one-time $9.3m extraordinary tax credit last year had been excluded.

Revenues for the third quarter were flat at $409.5m, compared with $408.5m a year ago. Operating income rose 5.2 per cent to $44m.

The Dow Jones results present an overall decline of 17.8 per cent for the first nine months of 1991, to $68.7m. Revenues for the first three quarters of the year were 0.6 per cent down, at $1.269bn.

The company's information services division, which includes Telerate and the Dow Jones Information Services group, reported a 3.9 per cent rise in operating income for the third quarter on revenues of $188.4m, up 1.7 per cent.

Operating income in the business publications unit, which includes The Wall Street Journal, Barron's magazine and other publications, more than doubled to $5.76m in the quarter, but from a very low base of $2.7m. Revenues in this division were up 0.4 per cent, to $164.5m.

Advertising lineage at the Journal dropped 7.6 per cent in the third quarter and 13.1 per cent in the first nine months of the year.

Ottaway Newspapers, the community newspaper subsidiary, suffered a 20 per cent decline in operating income, to $6.35m, on revenues that were 4.9 per cent lower at $56.675m.

Renison Goldfields in A$86m share placement

By Kevin Brown in Sydney

RENISON Goldfields, the Australian mining group which is 44 per cent owned by Hanson of the UK, yesterday announced a private placement of shares to raise A$86m (US$68.3m).

Mr Campbell Anderson, managing director, said the proceeds would be used to reduce the group's net debt, which grew by A$231m to A$442m in the year to the end of June.

The placement will reduce Hanson's holding to 40 per cent because of an Australian Stock Exchange regulation preventing the placement of shares in associate companies. Renison said the dilution was "acceptable" to Hanson.

The group said the placement would comprise 17.9m shares to Australian and overseas institutions, at A$4.80 each, a discount of 6 per cent on yesterday's closing price of A$5.12.

Renison spent A$325m on development last year, largely on the Porgera gold mine in Papua New Guinea and its mineral sands operations in Western Australia.

Capital spending is forecast to fall to around A$130m this year, mostly on Porgera and the Narama coal mine in the Hunter Valley coal mines of New South Wales.

Renison reported a 68 per cent fall in net profits last year, from a record A$116m, to A$36.4m. The group said the reduction was caused by weak commodity prices and the effects of recession in Australia and elsewhere.

The group is forecasting a significant improvement in profits for the current year, but the result will be depressed by weak prices for mineral sands products and tin.

Oce-Van Der Grinten advances

By Ronald van de Krol in Amsterdam

OCE-VAN Der Grinten, the Dutch photocopier and office equipment group, reported a 28 per cent rise in third-quarter profit, helping to lift results for the first nine months by 15 per cent.

Net profit rose to Fl 22.5m ($11.7m) in the third quarter, while profit for the first nine months increased to Fl 69.9m from Fl 60.6m.

The third quarter was Oce's best three months so far this year. In the first and second terms it posted profit increases of 5 per cent and 14 per cent respectively.

New products again made an important contribution to the growth in sales and profit.

Oce forecast that full-year net profit would be clearly higher than the Fl 85.7m posted in 1990. Until now, Oce had said only that results would show a rise in 1991.

Sales in the third quarter were up 14 per cent at Fl 625m. Operating income, which includes interest income from financial leases, rose by 26 per cent to Fl 50m.

Oce said it would pay an interim dividend of Fl 0.90, unchanged from the 1990 interim pay-out.

Bristol-Myers' Aids drug wins approval from FDA

By Daniel Green

THE US Food and Drug Administration (FDA) yesterday approved DDI, a Bristol-Myers Squibb drug, making it one of only two officially sanctioned Aids treatments.

The other is Retrovir, or AZT, made by Wellcome of the UK.

DDI, to be sold under the name Videx, is authorised for use for patients where Retrovir seems ineffective or causes an adverse reaction.

The price of DDI is in line with industry expectations. The wholesale price is $1,745 a year. Even after mark-ups during distribution, the cost to most patients is expected to be less than $2,000 a year.

This compares with a wholesale price for Retrovir of $2,200. It is a smaller discount than some had feared and might provide relief to Wellcome shareholders, who feared renewed political pressure on the company to cut its prices.

Furthermore, the FDA is likely to review this approval at another meeting in spring 1992. "They could use the opportunity to restrict the drug even further," said a UK pharmaceutical industry analyst.

The combination of DDI's price and the FDA's tight limits on who should receive it means that Retrovir will remain the first choice treatment for Aids.

The reluctance of the FDA to allow DDI to be prescribed more widely is largely because its side-effects are recognised to be more serious than those of Retrovir.

Molex slips to $14.9m

By Barbara Durr in Chicago

MOLEX, a leading US maker of electronic connectors, saw net income fall in the first quarter on increased sales.

Net income in the quarter to September 30 declined to $14.9m from $17.1m a year ago. This was partly the result of losses generated by new acquisitions, economic problems in Europe and reduced margins in Japan.

Sales for the period went ahead by 9.6 per cent, to $187m from $170.6m last year. Income per share fell to 30 cents from 34 cents.

The company's higher sales bucked the trend for the industry due to the introduction of new products and further international expansion.

The order backlog at the end of the first quarter was $132.7m, up 8.7 per cent over last year's $122.1m.

MUM launches Berjaya bid

MALAYAN United Manufacturing (MUM), the cement and property unit of Malayan United Industries, has formally launched a partial bid for Inter-Pacific, the Malaysian conglomerate now renamed Berjaya Group, writes **Lim Siong Hoon in Kuala Lumpur.**

MUM is offering M$1.60 a share, payable in MUM shares and cash.

Shares in Berjaya Group were trading yesterday at M$1.43 compared with a close of M$1.08 on Monday.

The M$218m (US$79.6m) bid for 38 per cent of the group, rather than a complete offer, came after Mr Vincent Tan, Berjaya Group's chairman, raised his personal stake to 51 per cent from 32.8 per cent.

The Berjaya Group has, in turn, a 30.8 per cent stake in MUI, which it has acquired since July when Mr Tan launched his hostile bid.

INTERNATIONAL CAPITAL MARKETS

Demand for referendum on Swiss stamp duty

By William Dullforce in Geneva

SWISS BANKERS' hopes of being able to repatriate at least part of the securities business they now conduct in London and Luxembourg have been temporarily dashed.

Less than a week after the federal parliament voted to remove the 0.3 per cent stamp duty from securities' transactions between foreigners, Euromarket and investment fund issues, the Socialist party and the trade unions have decided to call a referendum on the issue.

Otto Stich: complained about loss of revenue

The socialists – who participate in the four-party governing coalition – were angered because parliament did not support the demand by Mr Otto Stich, the socialist finance minister, that the estimated SFr420m ($284m) annual loss to the federal budget should be compensated for by increasing charges in other areas.

Mr Stich, who had complained about a loss of revenue at a time of deteriorating federal finances, lambasted the three centre/right parties for not "resisting the temptation to make a few gifts" before the October 20 general election.

Voicing its disappointment at the socialists' decision to submit the easing of stamp duty to the test of a popular vote, the Swiss bankers' association said that far from being a gift to the banks and their rich clients, the relief would be of benefit mostly to institutions managing funds for small savers. The referendum could mean that more jobs would be lost in Switzerland, the association warned.

Bankers' efforts to get rid of the stamp duty, which has been widely criticised as shackling the competitiveness of Switzerland as a financial centre, were thwarted in a referendum earlier this year, when voters rejected the introduction of a value added tax. Relief from stamp duty had been included as part of the package put to the vote.

● Union Bank of Switzerland is amalgamating the private banking activities of two of its subsidiaries, Hyposwiss and PBZ Privatbank Zurich. Assets under management will be integrated in Hyposwiss which will operate with roughly half the 200 employees now working in the two banks.

The amalgamation came as a response to rising costs, declining income and stiffer competition for clients both within and outside Switzerland, a UBS spokeswoman said.

Swiss banks face lower profit margins

SWISS banks face lower profit margins as investors turn directly to capital markets to raise funds or let rival institutions manage their money, according to a review by Moody's Investor Services, Reuter reports from Zurich.

"We expect Swiss banks to face more demanding clients and earn slimmer margins," Moody's said. It's review pinpoints the changes, political and economic, taking place within the sector.

Inflation had traditionally been negligible, but was now at historically high levels, while high interest rates had sharply squeezed net interest margins.

It was unclear whether Switzerland could return to the low inflation, low interest rate and strong currency position of the past, Moody's said.

Swiss banks were often being by-passed as lenders, as potential borrowers found they could access capital markets directly through the sale of securities.

The banks' business was also becoming more institutional, partly due to the Swiss pension law which steered towards insurance companies and other institutional asset managers the personal savings that used to accumulate in bank accounts.

Institutional deposits were both more expensive and less stable than retail deposits, while institutional investors were also more performance-oriented than individuals.

UK gilts slide as sterling comes under pressure

By Sara Webb in London and Patrick Harverson in New York

THE weakness of sterling pushed UK government bond prices lower for the second consecutive day and wiped out any hopes of an imminent cut in base rates.

GOVERNMENT BONDS

Long-dated gilts, which dropped a point on Tuesday, continued to fall at yesterday's opening. The market closed lower on the day, after a volatile trading session which was mainly futures-driven.

With sterling hovering at the bottom of the exchange rate mechanism of the European monetary system, traders said hopes of a cut in interest rates have evaporated.

The Liffe gilt futures contract opened at 95.07, moving to a low of 94.26, before recovering to reach 95.00.

The benchmark 11¾ per cent gilt, due 2003/07, opened at 113⅝ and traded at 113⅜ by late afternoon to yield 9.75 per cent. The 10 per cent gilt due 1996 opened at 101⅛ and moved to 101⅛ to yield 9.74 per cent.

■ GERMAN government bonds recovered their early losses to finish higher on the day. The Liffe bund futures contract traded up from its opening of 85.94 to 86.19 by late afternoon.

The German government issued DM 3.81bn of the new 8¼ per cent 10-year bunds via a tender yesterday morning, in addition to the DM3bn issued to the consortium member-banks on Tuesday.

The bonds were allocated to consortium member banks at 99.75 and above in the tender, giving an average yield of 8.29 per cent. Traders said the price of the new issue rose to 99.97 later in the day.

While traders had reported rather weak domestic demand for the new 10-year bond on Tuesday, demand at yesterday's tender was stronger. Traders suggested this could reflect the Bundesbank's plan to change the way it allocates government bonds to consortium members. In the past, domestic banks enjoyed an advantage over foreign banks, but in future, banks will be allocated bonds according to their ability to place the paper in the market.

■ ALTHOUGH hopes of an easing in US monetary policy by the Federal Reserve remained high, poor results from an afternoon auction of $9.25bn in seven-year notes sent bond prices at the long end plummeting lower yesterday.

In late trading, the benchmark 30-year Treasury bond was down ⅝ at 102⅛, to yield 7.904 per cent. The two-year note eased ⅛ at 100⅞, yielding 5.920 per cent.

Trading activity was light in early trading, with few dealers or investors willing to play the market ahead of a possible policy move from the Fed.

In mid-afternoon, prices, especially at the long end, fell after participants trimmed their long positions in the wake of a disappointing seven-year auction. The yield on the newly-sold seven-year notes averaged 7.20 per cent, above the 7.19 per cent expected by the market.

■ JAPANESE government bonds edged up in low volumes, following Tuesday's announcement of tough penalties for the Big Four securities firms. The yield on the benchmark No 129 bond opened at 5.97 per cent and closed at 5.96 per cent. Traders said the market was focusing on short-term interest rates which are expected to fall when the Bank of Japan's new reserve maintenance period starts next week.

The key unsecured overnight call rate was mostly trading at 6⅞ per cent while three-month certificates of deposit were trading at 6.53 per cent, slightly below Tuesday's level of 6.55 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.0865	+0.268	10 07	10.18	10.67
BELGIUM		9.000	06/01	99.3500	+0.050	9.09	9.07	9.17
CANADA *		9.750	12/01	104.0500	-0.600	9.13	9.10	9.57
DENMARK		9.000	11/00	100.2000	+0.250	8.96	9.05	9.13
FRANCE	BTAN	8.500	11/96	97.8177	-0.076	9.04	9.00	9.05
	OAT	9.500	01/01	103.9400	+0.140	8.84	8.82	8.87
GERMANY		8.750	08/01	103.0700	+0.100	8.28	8.31	8.39
ITALY		12.500	03/01	99.9700	+0.090	12.89	12.90	13.21
JAPAN	No 119	4.800	06/99	92.2218	-0.046	6.30	6.24	6.57
	No 129	6.400	03/00	102.4438	-0.029	5.97	5.90	6.24
NETHERLANDS		8.500	03/01	98.6700	+0.020	8.70	8.72	8.75
SPAIN		11.900	07/96	101.0300	-0.120	11.56	11.41	11.50
UK GILTS		10.000	11/96	101-02	-03/32	9.74	9.63	9.68
		10.000	02/01	101-28	-06/32	9.70	9.56	9.71
		9.000	10/08	95-25	-04/32	9.51	9.35	9.62
US TREASURY *		7.875	08/01	102-17	-16/32	7.50	7.45	7.72
		8.125	08/21	102-14	-31/32	7.90	7.82	7.99

London closing, *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

China Steel shares to be offered overseas

By Peter Wickenden in Taipei

SHARES in China Steel, Taiwan's highly profitable state-run steelmaker, are to be offered to institutional investors overseas early next year, the government said yesterday.

China Steel's sale of depository receipts in Europe, Japan, the US, Hong Kong and Singapore will mark the first overseas issue of equity by a Taiwanese company.

The government aims to privatise China Steel and 19 other companies in the next five years to raise funds for major infrastructure projects. A total of 10 per cent of the company's shares have been sold to the public in two previous tranches. The next offering will be equal to another 15 per cent of the equity.

Of this tranche, 65 per cent will be sold to domestic investors and 35 per cent offered abroad. Of the foreign portion, European investors will probably get 45 per cent, Japan 20 per cent and the rest will be divided amongst the other three regions.

The 15 per cent tranche was thought to be too large to be digested by the Taiwan stockmarket without causing instability, said Mr Lee Jin-der of the Commission of National Corporations.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BUSINESS LAW

Regulators' responses to US financial failures too drastic

By Leo Herzel and Richard Shepro

The US has been stunned in recent years by a series of financial regulatory failures: across the savings and loan industry, at Drexel Burnham Lambert in the securities industry, bank failures and widespread difficulties in the insurance industry.

While each of these industries has its own regulator and is subject to a system of legal rules, regulatory responses to financial problems have in general been late, abrupt and very severe. Similar criticisms could be made about the response to the BCCI affair in the UK.

There were high hopes for administrative surveillance when these financial regulatory systems were created in the US earlier this century. A crucial argument in favour of such regulatory bodies has been that they can nip problems in the bud. Yet this is precisely what has not been happening.

Instead, once a regulatory consensus has emerged that there is a problem that will not go away, the response has been sudden and drastic, usually with very tough criminal prosecutions and huge fines.

There is also a strong emphasis on singling out a few individuals for punishment such as Michael Milken, the jailed one-time king of the junk bonds market. Recently, in the securities field, some of the federal government's more aggressive prosecutions have been coming apart on appeal.

One disadvantage of late and aggressive regulatory responses is that no one can foresee all the consequences. The huge fine levied against Drexel Burnham drove it into bankruptcy and destroyed the junk bond market. In turn, the collapse of the junk bond market scuttled the 1980s takeover boom and contributed to the savings and loan disasters and the financial difficulties of a number of insurance companies. But, even more importantly, it deprived many new, rapidly growing businesses of a vital, flexible form of credit.

In the US, the violent governmental reactions to financial industry transgressions have been influenced by two special factors. Because of the need to gain wide acceptance for tough policies against violent crime, there are strong incentives for US politicians to be just as tough on white-collar crime. Furthermore, there is a historical tendency in the US to criminalise morally objectionable behaviour.

In this respect, the recent Japanese securities scandals provide a sharp contrast. Though there have been public apologies, high-level resignations and Japan's four leading securities houses have been subject to suspensions on key parts of their business, including underwriting and broking, these sanctions are a far cry from the US government's recent criminal prosecutions in the securities industry. It is inconceivable the Japanese government would have dreamt of damaging, or eliminating, Nomura's role in the world economy in the way the US did with Drexel Burnham.

There are many reasons why regulators fail to catch problems in advance. The financial machinations that regulators must tackle are sometimes highly technical. Particularly when complicated frauds are involved, they overwhelm the regulatory agency concerned.

Because of the huge profits (and losses) at stake, political influence and, occasionally, corruption are a potential problem in all countries.

Sometimes bad laws are an important contributing factor. Deposit insurance for the savings and loan industry, which allows risk to be passed off to the federal government, is a good example. Nonetheless, despite the impact of deposit insurance, problems in the savings and loan industry could have been detected much earlier than they were.

Probably the most promising approach to a general solution is more mandatory public disclosure backed up with the force of law.

Disclosure has real costs which cannot be brushed off. On the other hand, pure regulation appears to be a failure. The savings and loan industry, the troubled US insurance companies and the failed banks had to make extensive disclosures to regulators. But most of the information the regulators received remained unavailable to financial journalists and the public.

For example, in most cases only the regulators knew the size and nature of an institution's real estate and junk bond holdings. The worldwide problems of BCCI appear to present an extreme example of regulators holding information that could have helped the public.

In contrast, it is noteworthy that the vast US mutual fund industry, which is subject to detailed Securities and Exchange Commission (SEC) public disclosure requirements, has done far better in avoiding financial scandals than other US financial industries. Mutual funds in the US must publish complete lists of their investments.

What is also disappointing is that the oversight provided by the boards of directors of these troubled institutions was so ineffective. One of the chief functions of independent directors should be to avoid serious economic and legal blunders.

In the BCCI scandal, much has been made of the unusual role of accountants Price Waterhouse as an informant to the Bank of England. However, where a properly functioning board of directors is in place, important problems uncovered by the auditors should come to its attention immediately.

One of the most important benefits of public disclosure is that the knowledge that information will have to be disclosed affects the conduct of financial institutions in advance. Boards of directors and managements know that even the most highly technical information will filter through to the public after being assimilated by the financial press and competitors.

In the US, the threat of private litigation engendered by public disclosures increases the incentives of managements to avoid problems.

A form of public disclosure occurs when companies such as Standard & Poor's, Moody's Investors Service and A M Best publish their ratings of companies. Ideally, these private rating companies should balance the needs of public disclosure and confidentiality. They receive a great deal of information they make public only in the form of ratings. Through their published ratings they can act more quickly and with more subtle effect than regulators.

In theory, the rating process should be subject to market discipline from businesses which rely on the ratings. In governmental regulation systems, there is no such discipline. But market discipline does not appear to be working entirely effectively with ratings companies. In the case of several failed insurance companies, rating companies appear to have had information that could have led to earlier disclosure of important problems. One possible explanation is that rating companies must survive on the goodwill of the businesses they rate.

Although the rating agencies did not prevent problems at Mutual Benefit and Executive Life, their recent decisions to downgrade the ratings of several other insurance companies may help to forestall a more extensive insurance crisis. On the other hand, private ratings have never been an important force in the savings and loan industry, probably because of deposit insurance.

It is not clear how much better public disclosure requirements would be than regulation in cases of systematic fraud such as that alleged in the BCCI affair. BCCI's public disclosures probably would not have been any more realistic than its reports to regulators. However, the regulators themselves had plenty that could have been disclosed to the public.

Even in an extreme case such as BCCI, market forces might have provided a much better evaluation of the information available to regulators than the regulators managed.

The authors are partners in the Chicago office of the law firm of Mayer, Brown & Platt.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NGC Settlements Limited

Fresh round of preferred stock issues expected

By Richard Waters

CHANGES to the capital adequacy rules of US banks, proposed by the US administration on Tuesday, raise the likelihood of a new round of preferred stock issues – though few analysts expect this to do much to boost the availability of credit in the US.

After a spate of preferred stock issues earlier this year, estimated at about $1bn in total, some of the largest US money centre banks are already up against, or over, the ceiling allowed for such capital.

Under current US rules, preferred stock can represent up to 25 per cent of tier one capital, a limit which the Bush administration is now proposing to raise as part of a package of moves aimed at encouraging banks to lend.

US BANKS' RELIANCE ON PREFERRED STOCK

Bank	%*
Chemical	26.4
Mellon	25.9
Citicorp	24.0
Continental	23.2
Manfctrs Hnvr	22.0
Chase Mttn	21.9
First Chicago	20.1

As at 30 June 1991. *Preferred stock as proportion of Tier 1 capital. Source: IBCA

Banks which have issued such stock this year include Chase Manhattan (which raised $200m), Bank of America ($181m), Security Pacific ($174m) and Mellon ($150m).

As a result, two banks – Mellon and Chemical – are already over the 25 per cent ceiling, according to estimates by IBCA, the UK rating agency. Others, such as Citicorp and Continental, are close to the limits allowed. Raising the ceiling makes it likely that further issues of preferred stock, which is generally cheaper to service than common stock, will soon follow.

However, analysts pointed out this would make scarcely any impact on the overall cost of capital to US banks and although it may encourage banks to lend at the margin, its impact would be barely noticeable.

They added that lack of demand from credit-worthy customers, rather than a lack of supply of credit, was behind current concerns about a "credit crunch" in the US.

Mr Frank Suozzo, an analyst at SG Warburg, said: "What they are trying to do is positive, but it won't change the position much. It gives banks more flexibility in the types of capital they can raise, but it won't change their thinking."

LTCB agrees to acquire US financial boutique

By Stefan Wagstyl in Tokyo

LONG TERM Credit Bank of Japan is planning to buy Peers and Company, a Wall Street corporate finance boutique with which it has had commercial ties since 1985.

LTCB announced yesterday it had agreed to buy Peers for $20m from Kemper, the US financial services group. The deal is subject to approval by the Federal Reserve Bank of New York.

LTCB is paying a fraction of the prices paid by Japanese financial companies in the late 1980s at the height of a boom in cross-border mergers and acquisitions. For example, Nomura Securities invested $100m for 20 per cent of Wasserstein Perella.

The value of Japanese corporate acquisitions overseas fell from a peak of Y2,899bn ($22.4m) in 1989, to Y2,583bn in 1990 and just Y417.7bn in the first nine months of 1991, according to Yamaichi Securities, the broker.

Institutional investors flex their settlement muscles

Norma Cohen on concerted moves to set an industry standard for electronic trade confirmation

IN AN unusual flexing of muscle, some of Britain's largest institutional investors have taken one of their their most pressing back office problems into their own hands.

Rather than leave the development of a key aspect of trading systems to regulators or the stock exchange, they have banded together to dictate to vendors the structure of a trading system that all will use.

The institutions, led by US-based Fidelity Investments, hope to gain a "critical mass" of institutional users who, once they agree to buy the system, will be able to set an industry standard.

In the process, they are hastening the advent of an international securities market where investments are bought and sold across national borders. In seeking a uniform system for electronic trade confirmation – replacing a manual system – the institutions hope to cut office costs and pare down to hours a process that now can take days to complete.

The institutions say that unless trades can be electronically confirmed, there is little hope of complying with the Group of 30's target of settling all trades within three days of each transaction.

"We control an awful lot of power. We hand out huge amounts of commission," said Mr Chris Smith, transactions manager at US-based Fidelity Investments, which is spearheading the effort.

Last Monday, Fidelity hosted a meeting of 21 institutional shareholders who viewed presentations from four of the largest trading system vendors. The four are US-based Depository Trust Company, Canada-based Thomson Financial Services, Financial Models Corp and GE Information Services. A fifth vendor, Reuters, declined an invitation to make a presentation, saying it was already testing its own system.

"What we are trying to do electronically is to get trade confirmation in three hours. Not, as is currently the case, in three days, if we're lucky," said Mr Alistair Reid, a director at Morgan Grenfell Asset Management.

But Mr Reid and others acknowledge that, once such a system is in place and widely used by participants, it could be adapted for other purposes, including settlement or even off-exchange trading. Thus, the institutions, who account for roughly 75 per cent of the volume of trading on the London Stock Exchange, may be laying the groundwork for an alternative to the exchange.

The system, as envisaged by the institutions, will allow for nearly instantaneous confirmation of transactions in all types of securities in any market. Thus, a UK fund manager could confirm within hours that he has purchased equities on the French bourse and begin to take steps needed to settle the account.

Trade confirmation is the process which confirms that a transaction has occurred at stated terms. It is the link between trading and settlement, and failure to confirm trades exposes participants to significant market risks.

Until now, institutions have left it to the exchanges or to vendors of trading systems to come up with solutions to their back office problems. This has forced brokers to install hardware of several vendors in order to satisfy their clients, and the clients say that no one vendor's system satisfies all their needs.

Fidelity's Mr Smith said there appears to be little point in allowing vendors to continue developing systems on an ad-hoc basis. "I was concerned that there would be a plethora of systems and that there wouldn't be any uniformity," he said.

Meanwhile, the London Stock Exchange has been painfully slow off the mark. It is already years behind schedule in the development of its paperless settlements system, known as Taurus, and has not yet even begun to deal with trade confirmation.

This compares with some other European financial centres, such as Germany, which already have linked electronic trading and settlement systems.

Also, institutions were further angered by the decision last June by the SWIFT board of directors to deny them access to the interbank messaging system which could have been adapted for trade confirmation. Mr Smith said the refusal by SWIFT's board to allow non-banks access was the catalyst for his efforts to organise an alternative.

For its part, the London Stock Exchange said it is watching developments with interest and it supports efforts to achieve electronic trade matching.

However, the exchange's Market Settlement Group, composed of eight of the UK's largest brokers, has raised detailed questions about the proposal.

In a six-page letter to Mr Smith, the group spelled out a variety of difficulties with the project that could present obstacles to development.

Privately, some institutions say, the stock exchange may be concerned about the development of a competing project while its plans are still under study.

Dispute on pricing of Prudential Finance issue

By Simon London

THE international bond market took on a more uncertain tone yesterday, reflected in wide disagreement among bankers about the correct level of pricing for the day's new issues.

INTERNATIONAL BONDS

Prudential Finance, the funding arm of the UK insurance company came with a $300m 10-year deal, lead managed by Credit Suisse First Boston. The bonds carry an 8¼ per cent coupon and were priced to yield 75 basis points more than US government bonds.

Some firms said the yield spread was at least 10 basis points too narrow for an insurance company of this credit quality. Others said the maturity was too long and the deal too large. Yet some participants in the deal reported no problem in placing their allocations of paper. They said Eurodollar investors were currently extending the duration of their bond portfolios to longer maturities and ready to take on corporate risk. The lead manager held the bonds at the fixed re-offer price of 99.24 through-out the day.

CSFB also lead managed a C$250m 10-year deal for Daimler Benz, the German motor manufacturer. The deal was priced to yield 30 basis points more than Canadian government bonds, again considered far too tight by some participants, aggressive but fair by others.

Demand for Canadian dollar bonds has slackened slightly over the past few days following weeks of heavy issuance. Against this, Daimler Benz is among the most respected corporate borrowers in Europe and attracts strong retail buying. Again, the deal was held at the fixed re-offer price of 99.69 through-out the day.

The syndication of an Esc15bn five-year issue for the International Finance Corporation, the private sector arm of the World Bank, also proved controversial. The syndicate was dominated by Portuguese banks, yet placement for bonds denominated in Escudos is concentrated elsewhere in Europe. The deal appeared to run smoothly during the morning session, but in the afternoon the price began to slide as London-based banks declined to take paper from the syndicate at the issue price.

From an issue price of 100⅛, the bonds were quoted as low as 99.15 in the afternoon session before late buying at the lower levels restored confidence in the issue. By the close, the bonds were trading at around 99.75 bid, against full fees of 1⅝ per cent.

Demand for the Portuguese currency remains strong, with investors anticipating rapid falls in interest rates as Portugal becomes more integrated into the European community.

● KFW, the German state-owned financial institution, made its debut issue in the Spanish peseta market, launching a Pta10bn five-year bond issue via Banco Comercial Transatlantico. The deal carries a coupon of 11¼ per cent and was priced to yield 11.18 per cent, around 20 basis points more than the World Bank's five-year peseta bond issue launched last week.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Prudential Finance BV(a)†	300	8¼	100.865	2001	2/1.8125	CSFB
CANADIAN DOLLARS						
Daimler-Benz Nth.America(a)†	250	9½	101.365	2001	2/1⅞	CSFB
ESCUDOS						
International Finance Corp(a)†	15bn	12	100⅛	1996	1⅝/1	Deutsche Bk d'Investimento
PESETAS						
Kred'stalt Fuer Wiederaufbau(b)†	10bn	11¼	101½	1996	1⅝/1½	Bco.Com.Transatlantico

★★Private placement. §Convertible. ‖With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Matador issue. Non-callable.

Merrill Lynch denies illegal 'parking' of junk bonds

By Patrick Harverson in New York

MERRILL Lynch, the Wall Street securities house, yesterday denied allegations that during the 1980s it had engaged in illegal "parking" of junk bonds on behalf of a troubled Florida insurance company.

The allegations surfaced as a San Francisco newspaper reported that the Securities and Exchange Commission was investigating Merrill's role in an alleged scheme by Guarantee Security Life Insurance to improve its results by hiding its ownership of risky, high-yielding corporate bonds.

Guarantee Security, the sixth largest insurance company in Florida, was seized by state regulators in August amid fears that it would become insolvent.

According to the reports of the SEC probe, on four occasions during the last decade Merrill helped Guarantee Security by temporarily exchanging its low-rated junk bonds for government securities a few days before the end of each financial year.

The practice, known as "parking", would have given Guarantee's investment portfolio the appearance of stability and value, and would have allowed the insurer to escape a state tax on corporate bonds.

Merrill issued a statement confirming it was co-operating with the SEC in its review of the Guaranty Security bond transactions, but denying that it "engaged in any illegal or unethical activity".

CIS to become member of SFE

CARGILL Investors Services (CIS) intends to become a clearing member of the Sydney Futures Exchange Clearing House, part of the Sydney Futures Exchange (SFE), AP-DJ reports from Sydney.

CIS, a specialist in exchange-traded futures and options, has operations on the leading US and European exchanges.

"Clearing the SFE plays an important part in our global strategy to provide services in the Pacific Rim," said Mr Hal Hansen, CIS president.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday October 9 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Oct 8: Index No.	Mon Oct 7: Index No.	Fri Oct 4: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (182)	827.58	-0.6	9.43	5.87	13.22	29.93	832.98	837.90	848.71	710.14
2	Building Materials (23)	997.41	-1.4	7.57	6.24	17.37	40.19	1011.50	1015.14	1026.64	972.83
3	Contracting, Construction (31)	1111.35	-1.1	8.41	6.56	16.25	45.06	1124.14	1134.44	1149.26	1152.71
4	Electricals (11)	2602.06	-0.7	8.42	5.08	15.04	72.48	2619.96	2619.02	2639.23	1921.38
5	Electronics (25)	1729.33	-0.8	11.07	5.51	11.42	49.55	1742.66	1764.93	1802.85	1558.19
6	Engineering-Aerospace (8)	359.49	-1.1	15.48	7.17	7.80	16.48	363.66	367.93	373.23	409.58
7	Engineering-General (43)	492.18	-0.3	9.99	5.19	12.36	15.79	493.70	495.71	500.15	369.71
8	Metals and Metal Forming (9)	446.94	-0.7	14.72	7.93	8.25	17.48	450.14	451.07	453.80	407.53
9	Motors (12)	338.05	-1.0	8.83	7.12	14.46	14.65	341.50	344.26	349.76	267.60
10	Other Industrial Materials (20)	1610.37	+0.1	7.87	5.06	15.11	56.55	1608.75	1615.57	1636.36	1168.83
21	CONSUMER GROUP (189)	1545.83	-0.3	7.41	3.62	16.70	31.94	1549.95	1546.78	1559.77	1197.04
22	Brewers and Distillers (22)	1939.58	+0.2	7.98	3.46	15.25	38.33	1935.67	1941.06	1953.18	1487.77
25	Food Manufacturing (19)	1220.27	-0.6	9.30	4.10	13.28	26.32	1227.02	1228.69	1237.61	1007.27
26	Food Retailing (17)	2465.34	-1.0	9.03	3.43	14.48	50.36	2489.10	2494.90	2546.62	2365.31
27	Health and Household (22)	3733.60	-0.2	5.42	2.53	21.18	58.55	3739.46	3698.60	3722.46	2417.17
29	Hotels and Leisure (24)	1324.85	-0.3	7.69	5.31	16.08	37.73	1329.26	1327.49	1340.58	1210.88
30	Media (26)	1511.69	-0.6	7.12	4.69	18.35	43.94	1520.50	1519.32	1528.72	0.00
31	Packaging, Paper & Printing (17)	762.93	-0.9	7.37	4.28	16.47	22.26	770.20	771.99	779.26	485.54
34	Stores (33)	989.98	....	7.51	3.75	17.46	19.20	990.13	989.15	996.52	805.88
35	Textiles (9)	626.95	....	7.37	4.96	17.20	15.16	627.17	628.33	633.10	405.95
40	OTHER GROUPS (109)	1292.76	-0.7	9.31	5.02	13.51	35.68	1301.54	1303.27	1319.16	979.67
41	Business Services (12)	1421.71	-0.9	7.51	4.59	16.55	34.95	1434.42	1432.74	1447.24	0.00
42	Chemicals (21)	1463.00	-0.4	6.89	4.95	17.91	48.39	1469.27	1463.05	1468.61	992.92
43	Conglomerates (10)	1495.57	-1.2	9.75	7.03	12.43	38.76	1513.08	1513.33	1534.62	1318.34
44	Transport (13)	2356.62	-0.3	7.23	4.82	17.12	66.37	2363.33	2376.39	2415.58	1891.61
45	Electricity (16)	1243.01	-1.1	14.13	5.24	9.23	27.53	1256.56	1259.36	1273.53	0.00
46	Telephone Networks (4)	1612.04	-0.2	9.30	3.76	14.08	28.34	1615.36	1615.85	1636.61	1099.88
47	Water (10)	2429.13	-2.4	16.82	6.34	6.58	118.37	2487.92	2505.82	2536.23	1944.39
48	Miscellaneous (23)	1863.01	-0.4	5.30	5.28	26.11	69.66	1871.29	1880.90	1912.67	1502.13
49	INDUSTRIAL GROUP (480)	1289.22	-0.5	8.41	4.50	14.81	33.31	1295.34	1296.08	1309.68	1011.98
51	Oil & Gas (20)	2441.82	-0.6	10.69	5.69	12.36	92.91	2456.25	2441.75	2449.55	2415.13
59	500 SHARE INDEX (500)	1387.92	-0.5	8.70	4.65	14.46	38.03	1394.71	1394.38	1407.76	1126.27
61	FINANCIAL GROUP (91)	802.58	-1.3	-	5.83	-	30.50	813.08	812.28	821.63	700.54
62	Banks (9)	948.45	-0.8	4.40	5.62	43.01	36.83	956.56	954.20	965.72	749.10
65	Insurance (Life) (7)	1475.88	-2.1	-	5.74	-	62.78	1507.38	1514.31	1527.20	1360.39
66	Insurance (Composite) (6)	608.04	-1.5	-	7.22	-	28.25	617.31	614.60	627.69	616.87
67	Insurance (Brokers) (9)	1131.92	-2.7	7.26	5.99	18.04	42.45	1163.16	1167.01	1176.29	784.91
68	Merchant Banks (7)	474.12	-1.3	-	4.45	-	13.08	480.52	480.28	482.91	358.00
69	Property (36)	920.99	-1.5	5.95	5.08	23.78	23.01	934.83	936.30	945.16	907.74
70	Other Financial (17)	259.52	-0.2	11.06	7.08	11.34	10.84	260.16	258.75	257.79	246.65
71	Investment Trusts (70)	1247.24	-0.1	-	3.46	-	26.66	1249.00	1246.51	1254.43	991.19
99	ALL-SHARE INDEX (661)	1247.10	-0.6	-	4.77	-	35.71	1254.40	1253.92	1266.15	1021.20

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Year ago
FT-SE 100 SHARE INDEX‡	2584.1	-15.4	2607.3	2574.7	2599.5	2596.2	2624.6	2625.6	2644.2	2121.8

FIXED INTEREST

	PRICE INDICES	Wed Oct 9	Day's change %	Tue Oct 8	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.88	-0.15	122.42	1.63	9.67
2	5-15 years (27)	134.85	-0.35	135.65	2.08	10.57
3	Over 15 years (9)	142.74	-0.46	143.40	1.73	10.60
4	Irredeemables (6)	159.54	-0.92	161.03	3.76	8.83
5	All stocks (70)	133.01	-0.30	133.72	1.94	10.38
	Index-Linked					
6	Up to 5 years (2)	166.08	-0.07	166.20	0.54	2.72
7	Over 5 years (9)	148.52	-0.16	148.76	0.86	3.42
8	All stocks (11)	149.82	-0.15	150.04	0.81	3.40
9	Debs & Loans (68)	114.66	-0.05	114.72	2.01	8.33

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 9	Tue Oct 8	Year ago (approx.)
	British Government				
1	Low	5 years	8.60	8.53	10.78
2	Coupons	15 years	9.49	9.41	10.77
3	(0%-7¾%)	20 years	9.49	9.41	10.77
4	Medium	5 years	9.74	9.64	11.52
5	Coupons	15 years	9.62	9.57	11.25
6	(8%-10¾%)	20 years	9.58	9.53	11.16
7	High	5 years	9.95	9.86	11.62
8	Coupons	15 years	9.70	9.63	11.47
9	(11%-)	20 years	9.63	9.55	11.40
10	Irredeemables	†	9.70	9.60	10.96
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.83	3.80	4.01
12	Inflation rate 5%	Over 5 yrs.	4.25	4.23	4.33
13	Inflation rate 10%	Up to 5 yrs.	3.24	3.21	2.87
14	Inflation rate 10%	Over 5 yrs.	4.08	4.06	4.16
15	Debs &	5 years	11.17	11.19	14.06
16	Loans	15 years	11.01	11.01	12.77
17		25 years	10.84	10.83	12.35

‡Opening index 2606.7; 9 am 2590.4; 10 am 2582.6; 11 am 2575.5; Noon 2576.1; 1 pm 2578.7; 2 pm 2579.3; 2.30 pm 2575.9; 3 pm 2579.8; 4.10 pm 2584.1; (a) 8.35am (b) 11.13am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	78	4
Corporations, Dominion and Foreign Bonds	2	13	5
Industrials	209	352	935
Financial and Properties	102	158	498
Oils	24	21	45
Plantations	1	0	9
Mines	51	28	74
Others	80	18	39
Totals	470	668	1,609

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	198	186	Adam & Harvey	193		W10.0	5.9	6.9	3.3
-	F.P.	-	2½	2½	Butte Mining Wrnts.	2½		-	-	-	-
†	F.P.	-	110	105	Capital Ventures 1p	105	-3	-	-	-	-
4	F.P.	-	9½	4¼	Calver 1p	5½		-	-	-	-
-	F.P.	-	23	18	Eng. & Scott. Wrnts.	20		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	285	+7	-	-	-	-
100	F.P.	-	115	105	Gartmore Scotland Inc.	113	-½	M11.6	-	13.7	-
100	F.P.	-	99	85	Do. Capital	98		-	-	-	-
-	F.P.	-	£665	£605	Do. Units	£665		-	-	-	-
146	F.P.	-	169	148	Irish Life Ir10p	168		H0102%	-	5.4	-
§290	F.P.	-	346	297	Lowndes Lambert 5p	337	-2	L11.5	1.9	4.5	15.7
50	F.P.	-	54	47	‡Simpsons of Cornhill 5p	48		-	-	-	14.9
1	F.P.	-	½	½	‡Staneico 1p	½		-	-	-	-
62¼	F.P.	-	63	63	Vtech Holdings 5c	63		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	F.P.	-	107½	105½	Allied Radio 8pc Cv Uns Ln 2001	105½	-2
10p	F.P.	-	8p	8p	Butte Mining 10pc (Net) Cv Prf 1994	8p	
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd. Deb. 2001	99½	+1
100	F.P.	-	90	77½	Claybithe 9½pc Cv. Ln. 2000-01	77½	
100p	F.P.	-	111½p	104¼p	Gartmore Scotland Zero Div Prf.	111p	
-	F.P.	-	96	95⅜	Land Securities 10pc 1st Mtg Deb 2027	96	
100p	F.P.	-	104p	102½p	NatWest Bank 9pc Prf Series A	102½p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
140	Nil	-	20pm	15pm	Barry Wehmiller 5p	15pm	
380	Nil	-	12pm	3pm	British Aerospace 50p	6pm	
160	Nil	-	38½pm	25pm	Hickson International	28pm	
210	Nil	-	11pm	1½pm	Hillsdown Hldgs. 10p	2½pm	+½
85	Nil	-	16pm	12pm	Record Hldgs. 5p	16pm	
14½	Nil	-	2pm	¼pm	Starmin 5p	¼pm	
200	Nil	-	10pm	4pm	Third Mile Inv. Units	4pm	
45	Nil	-	23pm	16pm	‡Trans World Comms. 10p	16pm	-1
3½	Nil	-	1pm	1pm	Willis Group A	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Oct. 7
● Last Dealings Oct. 18
● Last Declarations Jan. 9
● For settlement Jan. 20

For rate indications see end of London Share Service

Calls: AIM Group, Aviva Pet., Business Tech., Kunick, Proteus, United Biscuits. Puts: Maxwell Comm.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*619)	550	71½	86½	104	1¼	11½	16
	600	27½	54	72½	8	27	32½
	650	7	30½	47½	35½	52½	57½
ASDA (*42)	40	6½	9½	11¼	3¼	5½	7
	50	2	6	7½	10	12	13½
	60	¾	4	4¼	19½	20	21½
Brit. Airways (*191)	160	30½	32½	36½	½	2½	3½
	180	11	17½	22½	1	6¼	9
	200	2	7½	13½	10½	17½	19½
SmKl Beecham A (*742)	700	44½	67½	85	1¼	12½	18½
	750	10	37½	55½	16½	30½	37½
	800	1¼	17½	34	58½	61½	65½
Boots (*419)	390	31	40	51	½	6	8½
	420	5¼	21½	33	6	14	19½
B.P. (*341)	330	13	21	26½	2	8	11
	360	1¼	6¼	12½	19½	24½	28½
British Steel (*123)	120	4	7½	11	1¼	5½	6¼
	130	1	3½	6½	7	11½	12
Bass (*1000)	1000	-	38½	59½	-	39½	47½
	1026	6	-	-	30½	-	-
C & Wire (*563)	550	20	39½	56½	5	17	22½
	600	2¼	17	33½	38	45½	50½
Courtaulds (*475)	460	19	35	50	3	11½	16
	500	2¼	15½	29	24	30	34
Com. Union (*485)	460	26½	43½	-	1¼	6	-
	500	2¼	20	27½	17	23	31½
Fisons (*475)	460	20	42	53	3¼	15½	20
	500	3	19½	33	26	35½	41½
GKN (*351)	330	22	36	41½	1	8	16½
	360	4	19	25	12½	21	31½
Grand Met. (*848)	800	52½	76½	89½	1½	15	22
	850	13½	45	60½	12½	35	42
I.C.I. (*1295)	1250	56½	106	126	4¼	26½	43½
	1300	22½	72½	95½	20½	45½	63½
Kingfisher (*550)	550	12	34½	48½	9½	22½	29
	600	½	13½	27½	50½	52½	54½
Ladbroke (*255)	249	8½	15½	23	4½	10½	14½
	268	1¼	8	13½	19	22	25
Land Secur (*509)	500	12½	26½	38½	3	13½	17½
	550	½	6½	16	42	45½	48½
M & S (*278)	260	19	26½	34½	½	4¼	7
	280	3¼	13	21½	6	11	14½
Sainsbury (*348)	330	-	-	37½	-	-	8
	356	3½	14½	-	10½	16½	-
Shell Trans. (*507)	500	12	30½	35½	5	12½	16½
	550	2¼	9½	14	43	43	44½
Storehouse (*107)	100	8½	11½	14½	1¼	5	6
	110	3	6	10	4	8	10½
Trafalgar (*230)	220	-	-	25½	-	-	17½
	231	6	15	-	5	17½	-
Utd Biscuits (*405)	390	16	30	37	3½	11½	18
	420	2	13¼	21	23	26	32
Unilever (*784)	750	37½	58½	73½	3	12½	18
	800	6½	29½	43½	19½	32½	39½
Ultramar (*249)	240	13	24½	27	2½	7½	13½
	260	6½	15	18½	12½	17	22½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*377)	384	16½	35½	38½	21½	29½	42½
	414	7½	22	25	41	46½	61½
BAA (*454)	420	41½	48½	61½	2¼	7½	11½
	460	13½	25	37½	15	24	27½
BAT Inds (*642)	600	52½	72½	80½	3¼	10	17
	650	17	38	50½	19	26½	37½
BTR (*406)	390	23	35	39½	4¼	9¾	16
	420	7	19½	24	17½	24	30
Brit. Telecom (*411)	390	27½	35½	47	3¼	10	13½
	420	9½	18½	29½	14	23½	26½
Cadbury Sch (*412)	390	34	46½	50½	6	13½	21
	420	16	29½	35½	17½	24½	32½
Eastern Elec (*179)	160	22½	26½	28½	1	4	6
	180	7½	12½	16½	6	12½	14½
Guinness (*1020)	1000	42	76	92	14	27½	40½
	1050	18½	48½	65½	38	52½	64½
GEC (*187)	180	11	15	20	2	5	6¼
	200	2	6	9¼	13	15	17
Hanson (*220)	220	8¼	11¾	16	6	13	15½
	240	1	4½	8¼	21	27¼	29½
LASMO (*302)	300	15	26½	30½	8	14½	18½
	330	5	11½	17½	30½	32½	34½
Lucas Inds (*131)	130	5¼	9¼	10½	9½	11½	12½
	140	2½	5	8¼	15	17	19
P. & O. (*506)	500	-	-	49½	-	-	27
	519	12½	29½	39½	20½	25½	30
Pilkington (*148)	140	13½	17½	23	3½	8	9½
	160	3½	8¼	13½	13½	19½	20½
Prudential (*234)	220	19½	27½	-	2	4	-
	240	6	14½	18½	9½	12½	16½
Racal (*57)	55	4½	-	-	2	-	-
	60	2	4¼	-	4¼	5¼	-
R.T.Z. (*559)	550	24	42½	49½	10½	18	26½
	600	5½	21	28½	42½	43½	53½
Scot. & New (*412)	390	28	37½	47½	3½	9	12½
	420	10½	20	30	14½	23½	25½
Tesco (*248)	240	15½	23½	26½	3	5	8
	260	5½	11½	15½	13½	14½	16½
Thames Water (*369)	360	-	-	32½	-	-	14½
	370	10	18½	-	8½	16½	-
Vodafone (*367)	360	19½	13	-	9	16½	-
	390	6	16½	-	25½	32½	-

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*298)	280	24	33	36	3¼	8	9½
	300	12½	20½	24½	10	14	17
Amstrad (*37)	35	5¼	9	11	3¼	4¼	5½
	40	4	6¼	8½	6½	8	9
Barclays (*447)	420	39	50½	52½	4	10½	13½
	460	14½	25	30	21	29	31½
Blue Circle (*239)	220	24	32	-	2¼	5	-
	240	13	20	23	9	12½	17½
British Gas (*286)	280	17	21½	25½	5½	9½	12½
	300	6¼	11½	15½	15½	19½	22½
Dixons (*252)	240	21½	29½	38	6	10½	13½
	260	11	19½	27	15	20	21½
Eurotunnel (*473)	460	42	65	82½	17½	28½	36
	500	24	43½	60	38	50	55
Glaxo (*1424)	1400	86	125	163	37½	55½	64½
	1450	55½	98½	135	58½	76½	85½
Hawker Sidd. (*739)	700	53	65½	74	7½	11½	13
	750	23½	33	40	29½	31	32½
Hillsdown (*210)	200	-	-	27	-	-	12½
	216	8½	14½	-	12½	14½	-
Lonrho (*235)	220	21	25	27	2½	9	11
	240	10	13½	16½	10½	19½	22
Midland Bk (*249)	240	20	29	36	8½	12½	15½
	260	10	18½	26	17½	21½	24
National Power (*157)	140	20½	21½	25½	1½	3½	4½
	160	6¼	10½	14½	8	9½	12½
Reuters (*933)	900	73½	100	117	24	41½	51½
	950	44½	73½	88½	46½	63½	75½
R. Royce (*141)	140	9	13	15	6	10	11½
	160	2¼	5¼	7¼	20	23	24
Scottish Power (*110)	100	13	17½	19½	1½	3¼	4¼
	110	6½	9	12	4¼	6	8
Sears (*89)	80	9½	12½	13½	2¼	3½	5½
	90	4	7	8½	6	7½	10½
Forte (*273)	260	18½	26½	30	4½	7½	11½
	280	8	15½	18½	13½	16½	20½
Thorn EMI (*795)	750	60½	74½	95½	8½	13	17
	800	22½	44½	64½	25½	31½	36½
TSB (*140)	140	8	11	13	5¼	9	10
	160	2½	3½	6½	20	21½	22½
Vaal Reefs (*568)	60	11	13	15	2¼	4½	6¼
	70	5	7¾	10¾	7¼	10	11¾
Wellcome (*707)	700	36½	63½	83½	28	38½	46½
	750	18	39½	61½	56½	65½	70½

EURO FT-SE INDEX (*2584)

	2425	2475	2525	2575	2625	2675	2725	2775
CALLS								
Oct	163	116	73½	39½	17½	6¼	2	1
Nov	183	141	101	68½	41½	23½	11¼	5½
Dec	207	-	129	-	69	-	29½	-
Mar	253	-	183	-	123	-	73½	-
Jun	295	-	230	-	165	-	116	-
Sep	320	-	255	-	200	-	150	-
PUTS								
Oct	5½	9	16	30½	56½	94½	139	186
Nov	14	20½	30½	47	70½	101	137	176
Dec	20½	-	40	-	76½	-	133	-
Mar	38½	-	61½	-	93½	-	146	-
Jun	50	-	77	-	107	-	150	-
Sep	60	-	90	-	120	-	160	-

FT-SE EUROTRACK 100 INDEX (*1080)

	1050	1075	1100	1125	1150	1175	1200	
CALLS								
Dec	63	43	27½	13½	9	4½	3	-
Mar	95	75	54	43	35	24½	15	-
PUTS								
Dec	9½	14½	23½	36	52	73	97½	-
Mar	18½	24½	32½	42½	54½	65	85	-

FT-SE INDEX (*2584)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Oct	189	142	95	56	27½	10½	3	1
Nov	209	164	123	87	57	33½	18	9½
Dec	231	189	151	116	83½	57	37	23
Jan	248	208	170	135	104	77½	55½	37½
Jun †	322	-	248	-	185	-	135	-
PUTS								
Oct	4	6½	13½	23½	45½	81	127	177
Nov	12	16	25	38½	60½	90½	130	176
Dec	18	26	36	51	71	99	134	179
Jan	26	35	48½	61½	81	109	141	181
Jun †	60	-	82½	-	123	-	175	-

October 9 Total Contracts 32,492
Calls 16,660 Puts 15,832
FT-SE Index Calls 2,494 Puts 3,753
Euro FT-SE Calls 459 Puts 538
Eurotrack 100 Index Calls 250 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

OFT refers Lloyds Chemists' bid

By Jane Fuller

LLOYDS CHEMISTS' £83m bid for Macarthy, which owns the Savory & Moore chemists chain, has been scuppered, at least until next year, by a reference to the Monopolies and Mergers Commission.

Lloyds had seemed home and dry in the three-cornered takeover battle for Macarthy, which had recommended its bid. It spoke for 75 per cent of the equity through acceptances and a stake.

It joins UniChem, a rival bidder, on the MMC's agenda. Both have been referred because of concerns about competition in the wholesaling of prescription drugs. Lloyds distributes to its own chain of 635 chemists' shops, while UniChem is a leading wholesaler alongside AAH's Vestric subsidiary, each serving roughly 28 per cent of the 11,800-store market.

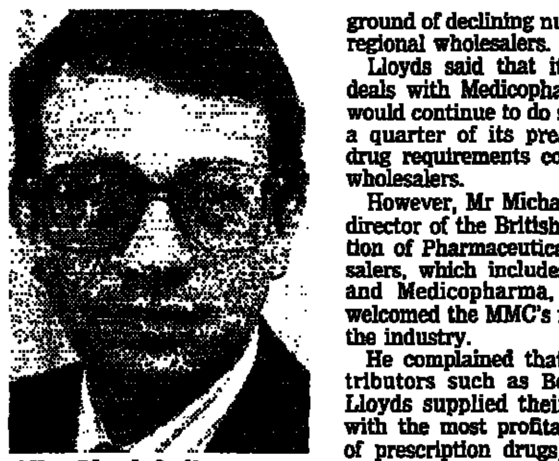
Had Lloyds bought Macarthy, its total number of pharmacies would go up to 810, bringing it closer to Boots, the retail market leader with 1,070. Boots also does its own distributing.

Mr Allen Lloyd, chairman and chief executive of the acquisitive group, said he was "very surprised and a bit angry" at the Office of Fair Trading's decision.

"I am trying to grow the company behind Boots and I can't understand why I'm being handicapped. We are smaller than Boots and that's what's hurting the most." Lloyds only had 5 per cent of the market.

The reference leaves Grampian Holdings, the Scottish mini-conglomerate, with the only cleared bid, worth nearly £70m. Macarthy's share price fell back from 267p to 251p yesterday, 1p below the level of Grampian's bid. But Macarthy has said that it will "certainly not" recommend the Grampian offer.

At Lloyds' peak share price of 285p, its offer valued Macarthy's stock at 306p. Lloyds' price slipped from 278p to 273p yesterday. The betting is that if it is cleared by the MMC, which has a deadline of January 17, its bid will go straight back on the table. UniChem has also made clear its continuing interest.



Allen Lloyd: feeling very surprised and a bit angry

The OFT seems to be concerned about the danger of a duopoly developing in the wholesaling of prescription drugs, involving UniChem and Vestric.

The recent entry into the market of Medicopharma, a Dutch company that bought Macarthy's wholesaling business, is seen as a healthy counterweight against a background of declining numbers of regional wholesalers.

Lloyds said that it already deals with Medicopharma and would continue to do so. About a quarter of its prescription drug requirements come from wholesalers.

However, Mr Michael Watts, director of the British Association of Pharmaceutical Wholesalers, which includes Vestric and Medicopharma, said he welcomed the MMC's review of the industry.

He complained that self-distributors such as Boots and Lloyds supplied their outlets with the most profitable lines of prescription drugs, leaving the vast majority of unprofitable ones to the wholesalers. "Yet they get the same margin from the Department of Health as we do."

Mr John Richards, stores analyst at County NatWest, said: "The only thing clear to me about competition policy is the concern about vertical integration. And anything concerning health in the run-up to a general election is likely to be called into question."

See Lex

Managing director goes as 3i restructures

By Charles Batchelor

MR DEREK Sach, a group managing director of 3i, the UK venture capital company which plans a flotation early next year, will leave the company at the end of this month in what 3i called "a restructuring of the senior management team".

The departure of Mr Sach, 43, reduces the number of group managing directors to two and the executive committee to four members. Mr Sach is responsible for 3i's UK investment activity. No other executives are involved in the shake-up, 3i said.

Mr David Marlow, chief executive, will take specific responsibility for UK investments following Mr Sach's departure and will be supported by two UK investment directors, Mr John Platt and Mr Brian Larcombe.

Mr Sach joined 3i in 1972, became a member of its executive committee in 1988, and was appointed to the board a year later.

3i has undergone two shakeups – leading to 160 job losses in the past 18 months – in response to the tougher economic climate and in preparation for a public listing. However, Mr Sach's departure, which was announced to staff on Tuesday, was not linked to the flotation, 3i said.

In July, 3i reported a drop in net revenues to £38m (£59m) for the year to March 1991 and a quadrupling of provisions from £28m to £128m. Earlier this month it won final backing from its bank shareholders for a public flotation in the spring in the form of an investment trust.

Fresh debt reconstruction as losses mount at Eagle Trust

By Bronwen Maddox

EAGLE TRUST, the troubled mini-conglomerate which was delisted a year ago, yesterday announced a £9.47m pre-tax loss for 1990 accompanied by its second reconstruction of debt within the last five months.

It also revealed that the reversal on September 27 of an earlier court ruling now left it free to pursue claims for £13.5m against SBC Savory Milln, its former stockbroker.

"Our total £70m litigation programme may take years, but this reconstruction means that no one can afford to believe we will not be around," said Mr David James, chairman.

In the reconstruction the banks will convert about £20m of interest due between January 1 1991 and December 31 1993 into convertible redeemable preference shares in Eagle Trust.

The group's net debt is £67.5m, compared to £118m in September 1989 when Mr James, who has a reputation as a troubleshooter, was appointed.

The reconstruction needs shareholder approval at the annual meeting on November 6.

The previous reconstruction in May converted £15m of bank debt into preference shares in a newly-formed holding company for the largest subsidiary Samuelson Group.

The two reconstructions were prompted by the 1990 losses, which pulled shareholders funds down to a negative £41.5m from a negative £30.4m in 1989.

Samuelson, the film services company, and the Pavis plumbing business – now sold to management – were hit hard by recession and operating profits on continuing businesses fell to £813,000 (£3.4m) on turnover down from £108.9m to £96.5m.

Net interest charges of £14.1m (£12.8m) led to the £1.9m increase in pre-tax losses, despite a £2.3m exceptional credit after the release of a provision on the sale of investments.

Mr James said: "We are not necessarily breaking up the rest of the company; we could either hold or trade the remaining businesses."

The litigation against SBC concerns the company's October 1987 rights issue, and claims £13.5m and costs. The company also claims £50m for negligence and damages from auditors Peat Marwick. It is also claiming an unspecified amount from seven former directors.

The accounts list numerous outstanding suits brought by former directors against the company, including one action for wrongful arrest and defamation.

Government to probe Edencorp

By Peggy Hollinger

THE government yesterday appointed inspectors to investigate Edencorp, the troubled leisure group which has been in administrative receivership since July. The inquiry is believed to follow complaints from the company's shareholders over the conduct of its affairs.

Edencorp was floated on the USM in May 1989 at 21p. Under founder and chairman Mr Michael Wallace, the company pursued an aggressive acquisition policy in Portugal and the UK.

In May 1990, Edencorp announced talks on a possible bid "with a number of parties" – believed to include Verit, the investment vehicle for controversial Irish businessman, Mr John Carway. However, talks were cancelled in November 1990.

Mr Wallace reassured shareholders then that the company was lowly geared enough to survive on its own and soon afterwards disposed of a large block of stock. He holds about 48 per cent of the group.

Mr Wallace resigned on December 3 amid controversy over £600,000 in loans made to him through a subsidiary of the company.

On December 6 the shares were suspended as Edencorp said it had received an offer not above the 12p suspension price. The group also announced that gearing was 80 per cent and the results for the year to end October would be "very disappointing".

Edencorp, under the chairmanship of Mr Tim Jones, began legal proceedings to recover the loans to Mr Wallace which contravened company law. Edencorp said the majority of the loans – which were interest free – had not been authorised by the board.

In a boardroom coup in May this year, Mr Wallace was reinstated with the help of Mr Carway. The law suit against Mr Wallace was suspended.

The receivers are believed to be examining the possibility of resuming legal action to recover the funds.

Verit is also known to have approached the receivers over acquiring some of Edencorp's assets.

Mothercare agrees Japanese franchise deal

By John Thornhill

Mothercare, the babywear chain which forms part of the Storehouse retailing group, is to sell its branded products in Japan having concluded a franchise agreement with Negoro, a wholesaler founded in 1864.

Negoro will open 20 Mothercare stores within the next five years and is expected to make a significant contribution to Mothercare's business. The stores will mainly sell Mothercare branded products which are sourced in the UK.

Mothercare has a policy of only offering one franchise per country thereby allowing the franchisee free reign to build up a business. The company believes it also encourages uniformity of customer service, product standards and pricing.

Creditors of Willaire's closed electronic side call meeting

By Michiyo Nakamoto

A MEETING has been called today for creditors of Airmead, an electronics division that late last month was put into voluntary liquidation by Willaire Group, the environmental and electronics concern.

There has been some concern that the meeting might attract little attention given that Airmead was a new name unknown to employees and customers until the liquidation was announced. They had believed the division was still called Willaire Electronics.

The division, accounting for roughly half of Willaire Group's turnover, traded through four operations – Business & Typing Systems, Walters International, Keen Networks and CSB. The name was changed just a few days before the group called in Stoy Hayward on September 26 to act as liquidator. Willaire announced the Airmead liquidation the next day.

As a result of the name change, Willaire's share price hardly reacted to the liquidation and has not budged from the 8p they were trading at before the announcement.

No one at Willaire, Stoy Hayward and UBS Phillips & Drew, Willaire's broker, was available to comment yesterday.

It was well known for some time that things were not completely well with Willaire's electronics business. Competitive pressures in a difficult market had led to reduced sales and margins, particularly in the second half of the financial year.

In May when it launched a rights issue and share consolidation, Willaire said in its statement that it expected the operating profit contribution from electronics of £580,000 (£501,000) on sales of £8.23m (£4.57m) in the six months to October 1990 would reverse into "significant losses" in the second half.

The circumstances that led the Willaire board to opt for voluntary liquidation of a division that provided nearly half of group turnover in the first half of the year, however, are still unclear.

Helical Bar blames interest rates for loss

By Roland Rudd

Helical Bar, the property development, investment and trading company, yesterday reported a pre-tax loss of £694,000, compared with a £1.59m profit, for the six months to July 31.

Mr Michael Slade, chief executive, blamed the turnround on *historically high* interest rates and the low level of trading.

"There is little we can do than stand still for the next 12 months. Interest rates may be coming down, but they have remained high historically," he said.

Earnings per share dived to 0.2p (4.3p) but the interim dividend is maintained at 2.4p. Mr Slade warned that the year would be a "long, hard haul" with little sign of a significant recovery in the market.

Sales more than halved to £21m (£46.2m), while operating profit fell from £11.3m to £7.7m. Gross rental income of £8.6m accounted for 87 per cent of gross profits.

Property sales of some £25m helped reduce borrowings by £16m to £120m, which still represented gearing of 170 per cent. Mr Slade said he was confident that borrowings would fall further as more disposals were made

An extraordinary credit of £947,000 represented the surplus on sale of investment property over cost.

GrandMet purchase

Grand Metropolitan is buying Aunt Nellie's, a vegetable packing company based in Wisconsin, which had sales last year of $67m. The consideration was not disclosed.

Allied Leisure gloomy despite 19% advance

By David Churchill, Leisure Industries Correspondent

ALLIED LEISURE, the nightclub and ten-pin bowling operator, sees no early sign of a recovery in leisure spending.

Mr Richard Carr, chairman, said yesterday the sector was still depressed. "I cannot see any real upturn until next May or June," he added.

In spite of his pessimism, Mr Carr announced pre-tax profits for the year to July 16 showing 19 per cent growth, from £2.61m to £3.1m. Turnover rose to £21.8m (£18.9m).

Earnings per share dropped to 12.2p (13.41p). The final dividend is 3.25p on capital increased by a rights issue, for a total of 4.75p (3.9p).

Mr Carr said the increase in turnover was below expectations as a result of the recession. "However, good housekeeping measures and holding our operating margins enabledus to increase profits against a backdrop of deep recession."

Allied operates 12 ten-pin bowling centres in the UK, with a further two planned to open by the end of the year in Dundee and Preston. Its second nightclub opened last December in Bedford and has traded well, said Mr Carr. A third club opens in Dundee in December.

Mr Carr said expansion plans in Germany had been put on hold because of the opportunities to expand in the UK market.

$25m loan for Anglesey

By Bronwen Maddox

ANGLESEY MINING yesterday agreed a project loan of up to $25m (£14.5m) as part of the finance of Phase II of its development of the Parys Mountain mine in North Wales.

Coopers & Lybrand Deloitte heavily qualified Anglesey's report and accounts for the year to March 1991 because it could not be sure that adequate finance would be found, and was uncertain whether £8.57m for development and exploration included in the balance sheet could be recovered.

Phase II, to take the development to the point of operation, will need about £20m. Mr Hugh Morris, chairman, said the company would look to raise new equity as part of the package.

The company also recently received a £2m Welsh Office assistance grant, as the development will create 147 jobs.

Its majority shareholder, Imperial Metals Corporation, the Canadian company which founded Anglesey in 1984, has agreed to provide guarantees and sponsorship for the loan.

Anglesey expects the Heads of Agreement signed with Swiss Bank Corporation and Bank of Scotland to lead to a full contract within two months, and for the full financing package to be complete by the end of the year.

The board expects to begin mining in early 1993.

Smurfit accepts revised Brent Walker proposals

JEFFERSON SMURFIT Group, the Irish paper and packaging company, announced last night that a subsidiary had reached conditional agreement with Brent Walker, the troubled leisure group, on a set of proposals revising the terms under which its £25m of Brent Walker 13 per cent capital bonds should be swapped.

Smurfit also said that its chairman, Mr Michael Smurfit, had accepted the proposals on the same basis on behalf of his personal interests.

Brent Walker said that, before the Smurfit move, it had received indications from holders of about 56 per cent of the bonds that they would support the new proposals. With the Smurfit interest – representing about 25 per cent of the bonds – the level of acceptance advances to about 80.6 per cent. The revised terms are subject to not less than 90 per cent of the holders agreeing not to pursue claims against Brent Walker over the bonds.

Brent Walker added that the steering committee of its bankers and certain other banks, which had had reservations about earlier proposals, had now indicated their support for the revised proposals.

Brent Walker said that the Takeover Panel no longer considered the company "to be in an offer period". This indicates that Lonrho's tentative takeover offer is now was dead.

Agreed £19.6m German bid for Unistrut

Halfen, the German building materials group, yesterday launched an agreed cash offer for Unistrut, the UK metal framing company.

The German company, a subsidiary of the family owned *Haniel* group, is offering 230p for each Unistrut ordinary share and 191¾p for every preference share, worth a total of £19.6m.

The preference shares are traded on the Granville Independent Companies Exchange and the offer price represents a 60 per cent premium to the market quote. The ordinary shares are not traded.

Halfen's offer is conditional on the approval by Unistrut shareholders of $8.1m (£4.65m) payments to certain investors covering, among other things, a license on the Unistrut name in eastern Europe and the Soviet Union.

The bidder claims to have received irrevocable undertakings representing 61 per cent of Unistrut's voting shares.

Brown & Jackson chief resigns over performance

By Ivor Duce

MR BRYAN Duffy has resigned as chairman and chief executive of Brown & Jackson, the discount retailer and security alarms group.

In a statement yesterday Mr Duffy said: "As the company's recent disappointing interim results, exacerbated by the economic recession, have fallen short of shareholders' expectations, I must naturally take ultimate responsibility."

Towards the end of last month the group announced larger than expected pre-tax losses of £4.3m for the first half of 1991 and mounting pressure from institutional investors is believed to have led to yesterday's move.

Borrowings are high and gearing is over 100 per cent; although all the profits were made in the October to December quarter last year – there was an overall pre-tax profit of £11.5m for the full year – confidence has been ebbing.

The shares closed at 7p.

Reed papers go to Thomson

The trade and industry secretary announced that he has given his consent to the transfer of nine newspapers published by Reed Northern Newspapers (North East), a subsidiary of Reed International, to Thomson Regional Newspapers, a subsidiary of Thomson Corporation.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Leisure	fin	3.25†☆	Dec 11	2.8	4.75	3.9
Austin Reed	int	3	Dec 2	3	-	9.5
Hevelock Europe	int	1.5	Jan 7	1.5	-	3.6
Helical Bar	int	2.4	Nov 19	2.4	-	10
Maunders (John)	fin	2.65	Nov 26	2.3	4.95	4.95
Quadrant	int	1.65☆	Jan 10	1.65	-	4
Sinclair(Wm)	fin	5.1	Nov 9	4.8	6.7†	6.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

PUBLIC WORKS LOAN BOARD RATES

Effective October 9

Quota loans*

Years	EP†	A††	maturity§
1			10
Over 1 up to 2	10	10	10⅛
Over 2 up to 3	10⅛	10⅛	10⅛
Over 3 up to 4	10⅛	10⅛	10⅛
Over 4 up to 5	10⅛	10⅛	10¼
Over 5 up to 6	10⅛	10⅛	10¼
Over 6 up to 7	10⅛	10¼	10⅜
Over 7 up to 8	10¼	10¼	10⅜
Over 8 up to 9	10¼	10¼	10½
Over 9 up to 10	10¼	10⅜	10½
Over 10 up to 15	10⅜	10½	10½
Over 15 up to 25	10⅝	10½	10½
Over 25	10½	10½	10½

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Stepping stone over continental illiquidity

Philip Coggan on the thinking behind Fidelity European Values' loan stock issue

EUROPEAN STOCK markets may have many attractions in the 1990s. But one barrier to institutional investment is that some of the individual continental markets are *highly illiquid*, and thus difficult to invest in with confidence.

But a recent issue has given institutions their first chance to match the performance of a European stock market index in a traded form.

The loan stock issued by a new investment trust, Fidelity European Values, will be redeemed in 2001 in line with the rise and fall over the next 10 years of the FT-Actuaries Europe ex-UK Index. In other words, if the index doubles, then £1,000 of loan stock will be redeemed at £2,000.

In the meantime, quarterly interest will be paid at a rate which matches the yield on the index – currently 3.2 per cent.

That is an additional attraction to institutional investors, since they can claim back the tax deducted on Fidelity's loan stock from the Inland Revenue. Had they invested directly in the underlying European equities, they would have faced withholding tax on the dividends, which could not be reclaimed from the Revenue.

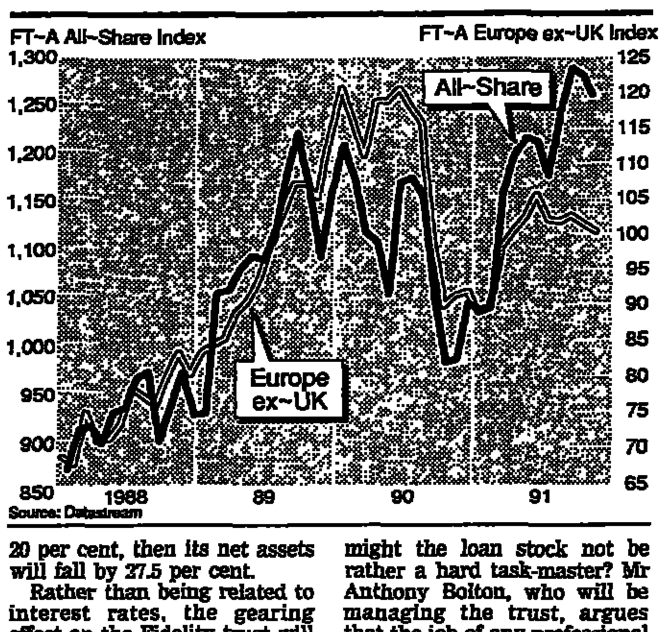
To date, only £10m of the stock has been placed with institutions by UBS Phillips & Drew but a further £10m could be issued if the trust raises the maximum £80m via its ordinary share offer.

The FT-A Europe ex-UK Index is dominated by France and Germany, which made up about 47 per cent of the total weighting as of August 31; Italy, the Netherlands, Spain and Switzerland added a further 40 per cent with the remainder consisting of *smaller markets such as Belgium* and Norway.

Matching that index would be quite cumbersome and expensive for a small institution and following an active investment policy across such a wide area could require substantial resources.

But given that the loan stock seems quite an attractive option to institutional investors, what does it mean for the trust that is issuing it?

Any investment trust which borrows is gambling that the return it receives from investing the proceeds will be greater than the cost of servicing the borrowed money. Say, for example, a trust borrows the equivalent of a quarter of its assets at 10 per cent interest. Then if share prices rise by 20 per cent in a year, its net assets will rise even further – by 22.5 per cent. If however, shares fall by 20 per cent, then its net assets will fall by 27.5 per cent.



Source: Datastream

Rather than being related to interest rates, the gearing effect on the Fidelity trust will be dependent on the fund manager's ability to out-perform the index.

If the trust has 20 per cent gearing, then a 10 per cent increase in its gross assets, compared to a 20 per cent rise in the market, would mean only a 8 per cent increase in net assets.

So given that many fund managers fail to beat indices, might the loan stock not be rather a hard task-master? Mr Anthony Bolton, who will be managing the trust, argues that the job of any professional fund manager is to out-perform the index.

Fidelity's European unit trust, also managed by Mr Bolton, has out-performed the index over the past five years, during which time it has been first in the sector.

However, Mr Bolton has not done so well over the last two years, with the unit trust falling 19.3 per cent (offer-to-bid with income reinvested) far worse than the 5.3 per cent fall in the index. That situation would have resulted in a 20 per cent-plus fall in net assets if replicated by the investment trust.

However, the nature of the stock does protect him from the "double whammy" effect of a falling market. If European markets decline, so too will the value of the loan stock. That would obviously not be the case had the trust borrowed via a conventional route.

In addition, had the trust *paid, say, 8 or 9 per cent* to borrow D-Marks, then Mr Bolton would have been forced to look for high-yielding European shares in order to meet the interest payments. That would have distorted his investment strategy.

However, the income effect of the stock is not entirely positive for Fidelity. It suffers withholding tax on dividend payments, whilst having to pay gross interest on the loan stock to investors.

Whether or not the Fidelity trust structure is a success, it seems inevitable that the loan stock will not be the last attempt to provide institutions with an indexed route into European equities.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BNB Resources, Barlows, Camellia, Capital & Regional Properties, Finlay (James), Grofund International, Hi-Tec Sports, Korea Asia Fund, Malaysia Mining, Transfer Tech.

Finals- Needler, Town Centre Securities.

FUTURE DATES

Interims-

Craig & Rose	Oct. 23
Shanks & McEwan	Dec. 4

Finals-

Castle Comms	Oct. 17
Smart (J)	Oct. 31

Austin Reed's long road to recovery

By John Thornhill

THE RECESSION is far from over and trading conditions even worsened in September, according to Mr Barry Reed, chairman of Austin Reed, the *clothing manufacturer and* retailer which yesterday recorded a 29 per cent fall in interim profits.

"I do feel that the politicians are trying to tell us things that have not yet happened. Consumer confidence has quite a way to go," he said.

"While there is plenty of anecdotal evidence to suggest an imminent end to the recession, our own experience *points to a longer road* to recovery . . . with sales remaining depressed into next year."

In the half-year to August 10, the group's taxable profits showed a fall from £905,000 to £639,000. Sales slipped from £40.8m to £39.7m.

Sales of menswear, which accounts for more than three quarters of retail turnover, fell by 2 to 3 per cent although *womenswear recorded an* increase of 4 per cent.

Higher VAT eroded margins. The group trades from 37 stores, having closed three smaller units at the end of the half-year.

Chester Barrie, the group's Savile Row tailor, experienced a "hiccup" as demand for top-of-the range clothing fell in the UK and Europe.

Earnings per share fell from 2.1p to 1.5p. The interim dividend is held at 3p but shareholders were warned that the final would "naturally have to depend on the outcome for the year as a whole".

The A shares closed 10p down at 168p.

Quadrant declines to £940,000 at halfway

AN OPERATING loss and reduced investment income at *Quadrant Group resulted in* pre-tax profits falling from £2.5m to £940,000 over the half year to August 31.

The group, with interests in photographic products, processing, videos, and shipping, saw *sales decline to* £26.4m (£29.2m), an operating loss of £255,000 (profit £801,000), and investment income of £1.33m (£1.7m).

On top of that was an exceptional charge of £138,000 for *compensation to Mr Jeremy* Peace, the former chairman.

Earnings per share came to 2.04p (5.18p) but the interim dividend is again 1.65p. The company has repurchased a total of 2.82m of its shares at an average price of 77.7p.

Sales at Sangers were down, closely tracking the general contraction of the photographic products market. Development of its own imported and branded product range were progressing positively. Leeds Photovisual was also affected by trading conditions.

In processing, the estate agency side improved. In the medium term, however, only a sustained recovery in activity would provide the foundation on which stable earnings could be built.

Results of the video division were disappointing, in part attributable to a slowdown in investment by public bodies and other institutions.

Earnings from shipping were expected to make a material contribution to the year end results as the second LPG vessel *was delivered last* month.

Wm Sinclair moves ahead to £4.48m

William Sinclair Holdings lifted pre-tax profits by some 13 per cent, from £3.98m to £4.48m, in the year to June 30.

Among the three divisions, pet animal and aquatic products did well with turnover up from £1.8m to £4.49m and profit before tax and interest ahead from £158,000 to £415,000 as a result of the continued recovery at Woodpecker and the opening of the new depot at Wickenby, Lincoln.

Turnover of the garden leisure and professional horticulture division fell to £23.2m (£24.3m) while profit fell 11 per cent to £2.96m. In garden sundries and Silvaperl Industrial turnover rose 20 per cent to £4.65m (£3.87m) while the profit rise was held to 12 per cent after an exceptional loss following a nursery closure.

Earnings per share worked through at 17.2p (17.1p) on capital increased by last November's rights issue. The dividend is raised from 6.3p to 6.7p with a final of 5.1p.

Losses at Lendu increase to £173,500

Lendu Holdings, which has supplemented its original rubber activities in West Malaysia with sheep and cereal farming in Australia, incurred a loss of £173,532 pre-tax for the first half of 1991.

The outcome – which compared with a deficit of £116,691 last time – came on *turnover of £84,901 (£55,658)* and took in exchange gains of £29,154.

Losses per share emerged at 1.26p (0.72p).

An extraordinary gain of £145,683 represented further *compensation against* compulsory land acquisition in Malaysia.

Martin Currie Pacific assets rise

The net asset value of Martin Currie Pacific Trust was 291.4p per share at August 31, up from 264.9p a year earlier and 282.8p at the trust's year-end in February.

Net revenue for the six months totalled £118,000 (£17,000) reflecting reduced exposure to Japan and greater emphasis on Australia, New Zealand and Hong Kong.

Earnings per share worked through at 0.96p, up from 0.14p last time.

IMI expands US building side

IMI, the building products, fluid power and specialist engineering company, has acquired AW Cash Valve of Illinois.

The purchase marks the first US acquisition for IMI's *building products* group, which made pre-tax profits of £9m in the first half of 1991.

AW manufactures pressure regulating and safety controls for heating and plumbing systems. It has turnover of $20m (£11.4m) net assets of $11m and 175 employees.

Its products will supplement those manufactured by IMI Yorkshire Fittings in Europe and Australia where demand is growing.

Poor retail climate hits Havelock Europa

By James Buxton, Scottish Correspondent

HAVELOCK EUROPA, the shopfitting group, plunged into the red in the first half of this year.

It blamed a collapse of orders *from stores* groups for a pre-tax deficit of £2.18m after exceptional charges.

That came from turnover of £17.4m (£31.1m), and compared with pre-tax profits of £615,000 last time and £1.5m for the *whole of 1990*.

Sir Lewis Robertson, who was installed as chairman by financial institutions in 1989, regarded the loss as "a blip." However, he did not expect any substantial improvement in the second *half*, though there were signs of improved volume of work in the first quarter of 1992.

The interim dividend is held at 1.5p on losses per share of 9p (earnings 2.5p). The final – 2.1p *last time – would depend* on the second half outcome and prospects for 1992.

Sir Lewis said customers had cut spending both on new stores and refurbishments, and what business had been won was on low margins against intense competition. The group was, however, expanding into new markets including equipping banks and building societies.

The plant at Inchinnan, near Glasgow, had been closed and staff numbers cut, resulting in exceptional charges of £490,000. There was an extraordinary charge of £110,000 relating to a discontinued business.

Mr Hew Balfour, chief executive, said the group was pressing ahead with cost control measures, including just-in-time production which should enhance productivity and profitability.

The group completed projects for Harrods and Selfridges, and was now serving National Westminster in addi*tion to TSB*. It had a new supply agreement with Boots and expected Marks and Spencer would be a substantial source of work in 1992 and beyond.

Exceptionals hit Maunders

After providing an exceptional £1.69m against specific sites in its land bank, John Maunders Group, the residential and industrial estate developer, saw pre-tax profit fall by 33 per cent.

In the year to June 30 the group again made 695 legal completions but a further swing to first time buyer units coupled with discounting meant turnover dropped from £58m to £54.4m.

Selling prices continued to decline but reductions were more severe in the south than in the north-west.

Operating profit fell to £6.15m (£8.45m) after exceptionals. Interest charges declined to £2.59m (£3.1m) leaving the pre-tax balance at £3.63m (£5.41m). Earnings per share came to 9.84p (14.45p) and the dividend is again 4.95p, the final being 2.65p.

Year-end bank borrowings amounted to 30 per cent of shareholders' funds.

LEGAL NOTICES

TO ALL CREDITORS AND OTHER PARTIES-IN-INTEREST OF MCORP, MCORP FINANCIAL, INC., AND MCORP MANAGEMENT, INCLUDING HOLDERS OF SECURITIES OF MCORP AND MCORP FINANCIAL, INC.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	Jointly Administered Chapter 11 Case Nos.
MCORP FINANCIAL, INC.,	89-02312-H3-11
MCORP MANAGEMENT, and	89-02324-H3-11
MCORP,	89-02848-H3-11
Debtors.	

ORDER APPROVING REVISED THIRD PROPOSED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH RESPECT TO THE REVISED THIRD PROPOSED CHAPTER 11 PLAN OF MCORP, MCORP FINANCIAL, INC. AND MCORP MANAGEMENT

TO ALL CREDITORS AND OTHER PARTIES-IN-INTEREST:

On September 11, 1991, the Third Proposed Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code With Respect to the Third Proposed Chapter 11 Plan of MCorp, MCorp Financial, Inc., and MCorp Management (the "Third Proposed Disclosure Statement") was filed by the debtors in the above-captioned, jointly-administered bankruptcy cases (the "Debtors"), relating to the Third Proposed Chapter 11 Plan of MCorp, MCorp Financial, Inc., and MCorp Management (the "Third Proposed Plan"); and the Court is satisfied that proper notice of the hearing on the Third Proposed Disclosure Statement and of the time by which objections must be filed to the Third Proposed Disclosure Statement was given to all creditors and parties-in-interest on September 11, 1991, and that such notice is reasonable under Bankruptcy Rules 2002(b), 3017(a), and 9006(c)(1); and the Debtors have proffered certain nonmaterial revisions set forth in the Notice of Debtors' Proposed Nonmaterial Revisions to the Third Proposed Plan filed on September 30, 1991, to be incorporated into the Third Proposed Plan (the "Revised Third Proposed Plan"), with conforming changes to the Third Proposed Disclosure Statement set forth in the Third Proposed Disclosure Statement dated and filed with the Court on September 30, 1991 (the "Revised Third Proposed Disclosure Statement"); and the Court has considered the objections filed to the Third Proposed Disclosure Statement, the testimony of Peter Bartholow, the arguments of counsel, the Revised Third Proposed Disclosure Statement and Revised Third Proposed Plan, *and the other records in this case, and has determined, after hearing on* notice, that the Revised Third Proposed Disclosure Statement contains adequate information pursuant to 11 U.S.C. §1125:

IT IS HEREBY ORDERED AND NOTICE IS HEREBY GIVEN THAT:

1. The Revised Third Proposed Disclosure Statement is hereby approved in all respects pursuant to 11 U.S.C. §1125, including the solicitation procedures set forth in Exhibit L to the Revised Third Proposed Disclosure Statement (the "Solicitation Procedures"), and attached hereto. [*For purposes of publication of this Order, Exhibit L is* not included.]

2. Creditors voting to accept or reject the Revised Third Proposed Plan must properly complete their Ballot, and deliver their Ballot as set forth in the Ballot and in the Solicitation Procedures on or before November 5, 1991, or such Ballot will not be accepted for purposes of confirmation.

3. The Revised Third Proposed Plan, the Revised Third Proposed Disclosure Statement, this Order Approving the Third Proposed Disclosure Statement, and a Ballot or Ballots substantially conforming to the sample Ballots attached in Exhibit L to the Third Proposed Disclosure Statement (collectively, the "Solicitation Package") shall be transmitted by U.S. first-class mail, postage prepaid, on or before October 8, 1991, to (i) each entity listed in the Debtors' schedules of liabilities previously filed with the Court, as amended or reconstituted prior to the record date, (ii) each entity having filed with the Court a proof of claim against any of the Debtors that has not been disallowed by an order of the Court entered on or before the *record date, and (iii) equity* security holders, and other parties-in-interest as provided in Bankruptcy Rule 3017(d).

4. The record date for determining the holders of stock, bonds, debentures, notes and other securities entitled to receive the Solicitation Package pursuant to Bankruptcy Rule 3017(d) is October 1, 1991.

5. The hearing on confirmation of the Revised Third Proposed Plan is scheduled for November 13, 1991 at 9:30 a.m., Central Daylight Savings Time, in Houston Texas, before the Honorable LETITIA Z. CLARK. The *Confirmation Hearing* may be adjourned from time to time by the Court without further notice except for an announcement made at the Confirmation Hearing or an adjournment thereof.

6. The last day for filing and serving written objections to confirmation of the Revised Third Proposed Plan pursuant to Rules 3020(b) (1) is November 5, 1991. Written objections, if any, shall be filed with the Court and a copy shall be delivered to:

D.J. Baker Weil, Gotshal & Manges 700 Louisiana, Suite 1600 Houston, Texas 77002	Wesley Huisinga United States Trustee 440 Louisiana Street, Suite 2500 Houston, Texas 77002	Donald Christie Kirkendall & Collins 4800 Louisiana Houston, Texas 77002
Thomas W. Luce, III Hughes & Luce 1717 Main Street Dallas, Texas 75201	Robert J. Rosenberg Latham & Watkins 885 Third Avenue, Suite 1000 New York, New York 10022-4068	

Any objection not timely filed shall not be considered by the Court.

DATED this 1 day of October, 1991.

/s/ L.Z. CLARK
UNITED STATES BANKRUPTCY COURT

IF YOU HAVE ANY QUESTIONS OR IF YOU NEED COPIES OF THE BALLOTS OR OTHER RELATED MATERIALS, PLEASE CONTACT THE DEBTORS' SOLICITATION AGENT, HILL AND KNOWLTON, INC., AS FOLLOWS:

Hill and Knowlton, Inc.
420 Lexington Avenue
New York, New York 10017
(212) 210-8850

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NOTICES

TECHNOLOGY

Satellite traffic set to collide

A dispute over dish size, frequency and traffic could lead to 2m satellite television users in Europe suffering picture interference later this month.

Eutelsat, the satellite group owned by a consortium of Europe's telecoms operators, will launch the third in its latest satellite series on October 26 from Florida. The Ecu 110m (£77m) project will put 16 radio and TV channels into orbit 3 degrees apart from the rival group Astra's 1-B satellite, which has been broadcasting 16 channels within the same frequency bands since 1989.

This would not normally be a problem. Europe's crowded airwaves are governed by the International Telecoms Union (ITU) in Geneva. It allocates frequencies to satellite operators on the basis of the power of the equipment to be used in the air and on the ground.

But Eutelsat says that Astra knew before the launch of 1-B when it received the ITU allocation that receiving dishes under 80cms would be liable to interference from the Eutelsat satellite. Astra disagrees and points out that some European countries have restrictions on dish size – for example, 70cm in UK conservation areas.

Only four Astra TV channels are liable to interference, which would affect 2m 60cm receivers in the UK, Switzerland, Finland, Yugoslavia and Italy.

Astra and Eutelsat engineers are in discussion over solving the possible clash – with Astra trying to put on a brave face. "We don't know what the interference will be at this stage," says Astra spokesman Yves Selters, "but we are confident that we can work it out."

Astra would like its rival to divert its television traffic on to its other satellite transponders and use weaker data or telecommunications signals on the disputed frequency.

Eutelsat, however, is reluctant. "If we divert from TV signals, then our replacement signals will be affected by the stronger Astra TV transmission," says Vanessa O'Connor at Eutelsat. "That might be a solution for Astra, but certainly not for Eutelsat."

Christopher Price

Business blasts off

The European Space Agency is launching a commercial spin-off programme, writes **Jane Bird**

Non-stick saucepans, aluminium foil and quick-sinking tangle-free fishing nets – all are commercial spin-offs from the rarefied world of American space research.

Contractors have long been encouraged by the US space agency Nasa to seek alternative uses for their multi-billion pound space research programmes. But until now European companies had no similar assistance.

That will change this week with the launch of Europe's first space spin-off venture, Spacelink, backed by the European Space Agency (Esa). Based on a British idea, Spacelink is being run by a consortium of companies – JRA Aerospace of Buckinghamshire, MST Aerospace of Cologne and Paris-based Novespace.

Esa has granted Spacelink a three-year budget of £2m to identify technology in space research companies that might have civil or commercial application in areas such as medicine, communications and energy conservation.

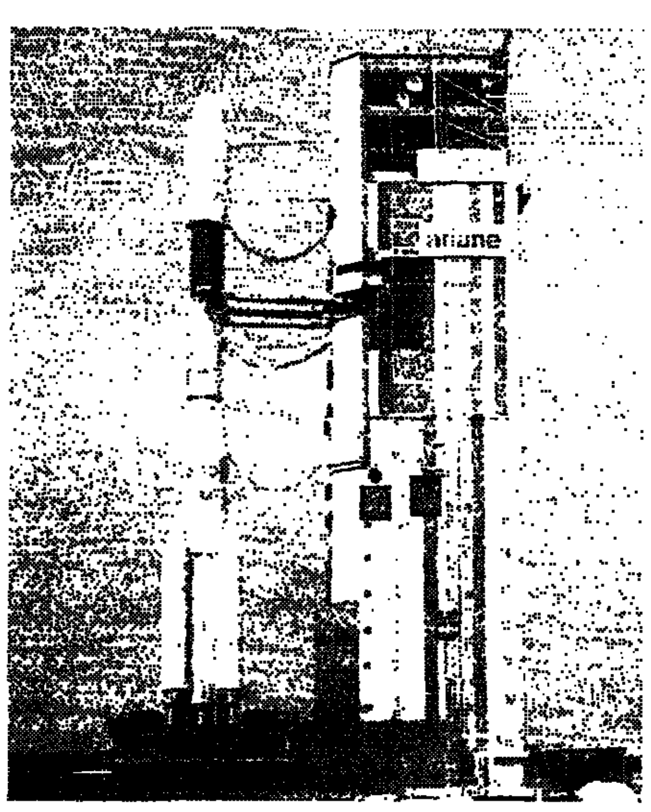
The idea dates back more than two years when one of JRA's directors was involved in digging out commercially exploitable technologies from UK Ministry of Defence establishments. He soon realised that this technique could be applied equally well to space research laboratories, so he approached Esa.

The result was a pilot scheme led by JRA, which visited more than 90 space research companies in Europe. It produced a catalogue describing 55 of their most promising findings.

As might be expected of technologies that have been built to cope with the inhospitable, irradiated environment of space, most of the ground-based applications tend to be in areas that have similar constraints or require control at a distance. This includes the nuclear industry, communications and robotics.

The catalogue also features remote gas detection for pollution control, nickel-hydrogen batteries for electric vehicles, video compression systems for picture phones, high-performance image intensifiers for medical applications and a host of advanced software products. A further 25 are in the pipeline for publication in a second catalogue next year.

The pilot brochure was sent to more than 15,000 companies across Europe. Esa, which will this year absorb £2bn of funding from its member countries, is keen to open up the sophisticated world of space technology to a larger audience. Hence the decision to fund a three-year programme.



Spacelink aims to adapt space technology to civil applications

The idea for the programme has been well received by space companies. "None is obliged to open its doors, but organisations involved in space research usually welcome us," says John Rootes, JRA's managing director.

"The companies that contribute to Esa are under increasing pressure to show a return on their investment. The ability to use Esa developments more than once is an attractive proposition to them," he says. Among the companies that participated in the pilot are British Aerospace, Matra-Marconi Space and AEA Technology.

John Andrews, AEA Technology's aerospace marketing manager, believes Spacelink will provide an extremely valuable service. "Having an outside team look around is ideal. Quite often, especially in large companies, things just get missed because people don't realise the applications outside their area of the business. And their presence can help our own people to think laterally."

Three AEA technologies were featured in the catalogue: solid lubricants, lightweight structural panels and highly accurate metal grids. The response so far has been encouraging. There were around 50 inquiries about the lubrication systems, including 14 from the UK and more than 20 from Germany. Many were from industries that had not previously known about solid lubricants, such as food processing, tool cutting, car transmission and gas pumping.

"A number of these companies look as if they are seriously interested in what we have to offer," Andrews says. "It cost us nothing to be featured in the catalogue. JRA did the investigation, selected the applications and wrote them up to be edited by us, so it was a painless operation."

Spacelink's funding is to cover the cost of seeking out the ideas, producing a catalogue and networking the information across Europe. In the UK, JRA is distributing its brochures to Regional Technology Centres and companies that might be interested. It is then up to the companies involved to negotiate licences or seek help with development or marketing. Last week Rootes signed an agreement with BAe Space & Communications Systems which gives him the go-ahead to look for licensees for its spin-off technology.

Finding licensees is a path fraught with difficulty, says Rootes. "The history of technology transfer shows that it can be very profitable but ideas can die in mid-stream. This may be because they prove too difficult to define. In the case of software, for example, the interesting part may be buried within a much larger program and it can be hard to identify the start and finish of the innovative element which is being licensed."

He says that financial problems and difficulties in agreeing terms are other stumbling blocks. "The problem is to know whether a concept is good enough to justify adaptation – and if it can be made cheap enough for use on the ground." Spacelink's goal is to secure six agreements in its first three years of operation.

Eventually it is hoped that each of Esa's 11 participating countries will be represented in the Spacelink group, and the goal is to become self-financing through licensing and technology transfer services.

However, Rootes admits that this is a long-term aim unlikely to be realised fully before the end of the decade. "Nothing happens very fast in the world of technology transfer. But even if a transfer is not made the first time, when two companies come together they are irrevocably linked. You never know when the contact might bear fruit in future," he says.

VME digs in deep for a market-driven approach

Andrew Baxter explores simultaneous engineering

"MOTHER knows best" is not a phrase one would immediately associate with the macho world of construction equipment, but for executives of VME, one of the world's largest producers, it is imbued with a very special meaning.

It describes an attitude to product development, manufacturing and marketing that VME, formed in 1985, inherited from one of its forbears, Volvo of Sweden, which owns the company jointly with Clark Equipment of the US.

The "mother company" designs a new product, tools up for manufacturing, then gives it to the "daughter" sales companies – and tells them to get on with it. It is an engineering-led approach which results in good products, but not necessarily what the market wants.

But increasing competition in a maturing industry, and the necessity of ensuring that new products are designed to be sold, have prompted VME to try a new approach, bringing sales and marketing executives into the product planning process at an early stage and maintaining an interdisciplinary approach throughout its development.

But producing a more market-driven machine was not VME's only objective. The old approach, which addresses each task in sequence, was taking too long to produce a new machine – from five to seven years, according to Lars-Göran Moberg, president and chief executive of VME Industries Sweden, one of the group's main manufacturing units.

VME realised that the only way to reduce lead-times, and at the same time achieve a more co-operative approach to product development, was to take the plunge into simultaneous engineering – where tasks once done in sequence are performed in parallel, with the help of computer-aided design.

The first product to get VME's simultaneous engineering treatment was launched earlier this year: the Volvo BM L150 is the first in a new generation of wheeled loaders, one of the basic construction equipment types and a distant descendant of the farm tractor.

Loaders, with large front-mounted buckets, are used for loading excavated material into dumptrucks, but also for "breaking out" material from a face and lifting it clear. Apart from having a bucket slightly larger than the 3.5 cu.m. preferred by quarries, the older Volvo BM 160 suffered from being a larger version of a small-wheeled loader.

VME decided it needed a new model with much increased break-out force – the twisting force on the bucket which determines how much material can be broken out of the face – to enable it to compete more effectively with Caterpillar's 966 wheeled loader.

Uniquely for VME, the decision was not that of the technology side alone, but reflected input from sales executives who not only knew what would be important for the market, but could guess at how Caterpillar's loader would progress while their's was in development.

Hans Ericson, VME Industries' technical director for loaders and excavator loaders, recalls that, because of computer-aided design engineers could visualise the product a year ahead of the completion of a prototype, and images could be sent to manufacturing at the earliest stage.

The challenge in simultaneous engineering is to ensure that all the parallel activities stay on the same course. "As fast as you are realising the design," says Moberg, "you take a chance on ordering the material, but if you come to the final solution and realise the material is wrong, you have to buy it again." VME got it right 90 per cent of the time, he says.

The risk seems to have been worth taking, because the L150 took three years coming to market from the decision to go ahead with engineering. "That's a little long," says Moberg, "because this was the first time we tried simultaneous engineering. The next one will be shorter, perhaps two years."

Simultaneous engineering cannot solve all the challenges of modern-day manufacturing, which for VME also involves maintaining, or increasing quality while reducing costs. One problem was the need for substantial adaptation of new robots to the continuous welding of frames and lifting arms. This is necessary because of the heavy stress they will face in the L150's working life, but the biggest industrial market for robots is automotive, where spot welding is more common.

The new product development approach should help VME remain competitive by getting its genuinely new products on to the market as quickly as its rivals. Genuine, because the construction equipment industry is notorious for so-called new models which are really facelifts.

"If the Japanese claim a shorter time for new product introductions, they are not doing what we have done, which effectively has been a leap forward in wheel-loader technology," says Chris Rees, managing director of VME Construction Equipment GB.

Simultaneous engineering cannot, also, prevent companies launching their new models in the middle of a recession, but even in a slow market the initial response to the L150 has been enthusiastic. In particular, the "Torque Parallel Linkage" giving the break-out force that VME was looking for, along with greatly increased lifting force, while keeping the load level, is understood to have caused some heartache among competitors.

An article on VME's global strategy will be appearing on the Management page.

Oil at eight-week high as refiners seek N Sea crude

By Deborah Hargreaves

OIL prices reached an eight-week high yesterday when the price for North Sea Brent crude for November delivery rose by 40 cents to $22 per barrel. Traders believe prices could move higher before the end of the year.

"Refiners are scrambling for North Sea crude," said Mr Peter Gignoux, head of Lehman Brothers' international energy division. "There is a lot of concern about Opec being at the peak of its capacity."

Production by the Organisation of Petroleum Exporting Countries could be stretched this winter as demand rises amid economic recovery. Opec output is running at 23.65m barrels a day (b/d), but many predict demand for Opec oil at 24m b/d for the fourth quarter, *which could test the organisation's capacity limit.*

The tight supply-demand balance leaves little margin for mishap. Temporary disruptions in supply could cause a price spike.

Refineries are building stocks in anticipation of increased demand for gas oil during the winter and a drop *in Russian exports to Europe.* Gas oil prices quoted in Rotterdam rose by $4 a tonne yesterday to $216 a tonne.

The arrival of Iraqi oil in the market – at a rate of some 500,000 b/d – could meet some of the demand rise this quarter. But since Opec is producing flat-out, there is little room for further increases in supply.

This will keep oil prices strong – some analysts predict $25 a barrel for North Sea Brent crude – into next year. *But many* are concerned about a price collapse in the second quarter of next year if Opec does not trim output.

Two Opec ministers warned of a 1986-style price drop, when prices plunged to $10 a barrel, next year if the organisation fails to agree a return to production quotas.

Others are more sanguine. *Mr Mehdi Varzi* at Kleinwort Benson, the London merchant bank, believes fears of a flood of Iraqi and Kuwaiti crude to *the market by the second quarter* are unwarranted. He also believes that USSR exports will drop to 1.3m b/d from 2.2m b/d next year and world demand will rise by 1.4 per cent.

This has led to a sharply higher estimate of the call on Opec oil to 25.2m b/d – the highest for over 10 years. Mr Varzi expected this to support Brent prices at $19 a barrel in the second quarter of 1992.

Western Mining hit by dispute

By Kevin Brown in Sydney

MINERS at Western Mining Corporation's Kambalda nickel mine in Western Australia went on indefinite strike yesterday in a dispute over contract payments.

The dispute, which involves around 400 miners, represents a further setback for Western in its attempts to introduce *round-the-clock operations at* Kambalda.

The group has approval from the Western Australian Industrial Relations Commission for continuous operation, under which miners can be rostered to work on any day of the week, including Sundays.

However, it has been unable to complete a switch from five-day rosters because of continued opposition from the Australian Workers' Union, which organises the miners.

Western officials were meeting union representatives last night in an attempt to resolve the dispute and lay the groundwork for continuous working.

The group says seven-day working is essential if proposed expansion is to be viable.

The company is seeking to raise annual nickel output from around 53,000 tonnes to 65,000 tonnes over two years through expansion of the Leinster and Kambalda mines, together with expansion of the Kalgoorlie smelter and Kwinana refinery.

The group is the third largest nickel producer outside the former *eastern bloc countries.*

● The Porgera gold mine in Papua New Guinea is ahead of budget and should reach its target production of 1m ounces of gold in 1992, Placer Pacific, the Australian gold producer, said yesterday.

Mr Alf Paton, chairman, told US investors in New York that the strong performance by Porgera would significantly reduce Placer's forecast borrowings in *the current year.*

Placer has a 30 per cent stake in Porgera, which is jointly owned by MIM, the Queensland-based mining group, and Renison Goldfields, an Australian associate of the UK's Hanson group.

Mr Paton said Placer plans to increase exploration activities in Australia and the western *Pacific, where it is already* exploring more than 50 properties.

EIU sees steady growth in consumption of cotton

By David Blackwell

WORLD COTTON consumption is forecast to rise by 1.9 per cent a year for the next five years – slightly faster than total world demand for fibres, *according to an Economist* Intelligence Unit report.

At that rate of increase, which compares with 2.5 per cent a year for the past five years, world consumption will reach 94.2m bales in 1995-96. Over the same period, world output is forecast to rise annually by 1.3 per cent, taking it to 92.8m bales in 1995-96.

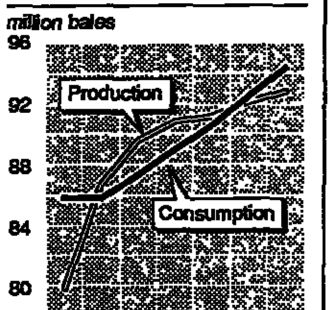
The EIU *points out* that at the end of July 1990, world cotton stocks were about 31 per cent of consumption in the season just past.

By July 1996, stocks are set to have fallen to only 26 per cent of the previous season's consumption. Prices are expec*ted to rise from the 83 cents a* lb of the season just past to 95 cents a lb over the five-year period. The report suggests cotton will maintain the gains in market share of the past decade.

"In the developed economies concern for the environment and for 'healthy living' have become more important in he recent past, giving rise to such promotional concepts as 'green' cotton." Consumer advertising and television are also likely to enhance cotton's image as a fashionble high quality product in the richer developing countries.

● *Cotton to 1996 – Pressing a natural advantage. EIU. 40 Duke Street London W1A 1DW. £175 or $365.*

World cotton forecast



Source: Int. Cotton Advisory Committee, Cotton World Stats., EIU.

Soviet aluminium industry shows its mettle

Jan Robinson, recently in St Petersburg, finds producers keen to forge joint ventures

AS STOCKS of aluminium continue to mount rapidly in the west with minimal production cuts so far, startling news has emerged of the Soviet Union's aluminium production capacity.

According to western companies involved in Soviet smelter expansions and modernisation programmes, as well as industry *sources within the Soviet* Union, the industry's capacity is almost certainly around the 4m tonnes level.

It will certainly be above that figure by the end of the century, as new planned expansions – including one 130,000 tonnes per year (tpy) plant planned by Kaiser Aluminum of the US at Shelekhov, near Irkutsk in Siberia – come on stream.

There are 14 primary aluminium smelters in the USSR, according to the VAMI Institute (All Union Aluminium and Magnesium Institute) in St Petersburg, as well as 10 alu*mina refineries.*

Around 85 per cent of primary production is in the Russian Federation. The Pavlodar smelter in Kazakhstan is now believed to have been shut down.

There are 11 raw material mines, which include other usable ores as well as bauxite. Domestic bauxite reserves are *not sufficient to satisfy* raw material demand, so the Soviets are developing other mineral deposits which can be used for alumina, as well as examining the possibility of importing bauxite (although this may be limited by hard currency constraints).

Although the figure of 4m tonnes capacity is staggering – *given that western* production is estimated at about 15m tonnes this year – capacity utilisation is perhaps only between 70 and 80 per cent, due to continued alumina shortages.

The VAMI institute says that exports to the west will be *more than 750,000 tonnes this* year.

Exact capacity and utilisation figures are not released officially, but the Bratsk smelter in Siberia (the biggest in the world, with a theoretical capacity of 1m tonnes) is widely believed to have been running at about 840,000-850,000 tpy for some time.

There are three other smelters with capacities of more than half a million tonnes. Krasnoyarsk, in Siberia, stands *at 800,000 tpy.* Tadzhik, in Tadzhikistan, the USSR's most modern smelter, has 520,000 tpy, as does Sayansk in Siberia.

Much of this capacity, however, is dogged by outmoded technology.

The VAMI institute says that about 70 per cent of Soviet smelter capacity has old-fashioned and heavily polluting Soderberg technology, but some western sources involved with smelter technology *believe this estimate* to be on the conservative side. One of the main priorities for the USSR aluminium industry is to modernise plant.

The replacing of outmoded technology, the need to become more economically and environmentally viable, the development of downstream industries and the attraction of foreign investment are the main themes of the Soviet aluminium industry. In the struggle to form a viable market economy, *aluminium will be a* key resource, but modernisation is slow and performance has plenty of room for improvement.

For western producers, the uninterrupted stream of Soviet aluminium on to western markets has been an important factor behind the perilous state of aluminium prices.

*However, the long-term solu*tion to this problem may come from those same western producers, as the Soviets are looking to develop downstream industries to boost domestic primary demand. In the long term, western investment in Soviet downstream industries will prove far more effective *than complaints about Soviet* export policy.

Dr Nickolay Kaluzhsky, chairman of the organising committee and general director of the Vami Institute, said recently that there were not enough downstream facilities to use more domestic primary production at home.

Soviet producers are keen on *joint ventures and ten,* in both the primary and downstream industries are already in progress, says VAMI.

Kaiser Aluminum is involved in the retrofit programme at Krasnoyarsk, while Kumera Corp of Finland is assisting the modernisation of the Nadviotsy and Kandalak*sha plants near the Finnish* border.

Elsewhere, a Soviet-US joint venture is seeking to modernise the Zaporozhye plant in the Ukraine. Kaiser is also involved in a joint venture to build a new 130,000 tpy smelter at Shelekhov, near Irkutsk, in Siberia. It is intended that this material will be exported, and the revenue used *to finance* the retrofit programme for the existing 250,000 tpy smelter at Shelekhov.

Political and economic uncertainties remain a worry for many western companies. The Soviet system remains slow, with time scales of seven or eight years for retrofit programmes, from first negotiations to completion, seen as not unusual.

It will be crucial for the Soviets to recognise, understand and use the market economy, as well as recognise the cycli*cal nature of the industry.* From a western point of view, the development of downstream industries may not be such a good idea, as margins are tight and value added products do not necessarily guarantee profitability.

However, from the Soviet viewpoint downstream products, particularly in agricul*tural and construction areas,* are necessary to satisfy the chronic fundamental shortage of consumer goods in the *USSR. That could mean an* increase in fundamental demand.

The Soviets are not as worried about profitable industries, so much as having the industries and worrying about profitability later. This attitude, a hangover from the communist era, will be hard to shake off.

In the much longer term, the insatiable thirst for things western will stretch to beverage cans and cars, already perceived by many as the big growth areas for the "green" metal for the rest of this cen*tury and beyond.*

However, foreign investment is the key. Until this starts arriving in a big way, Soviet aluminium is likely to keep coming on to western markets in quantity to secure hard currency.

There are likely to be big rewards for companies that invest in the Soviet aluminium *industries, but returns* will be a long way off.

The author is an assistant editor with Metal Bulletin

SOVIET ALUMINIUM SMELTER CAPACITY

SMELTER	LOCATION	CAPACITY (tonnes, est)	NOTES
Bratsk	Bratsk, Siberia	1,000,000	Output at 850,000 for some time
Krasnoyarsk	Krasnoyarsk	800,000	Retrofit planned
Tadzhik	Tadzhikistan	520,000	Most modern USSR smelter
Sayansk	Sayanogorsk	520,000	Very modern
Shelekhov	Irkutsk, Siberia	250,000	New 130,000 tpy smelter planned
Novokuznetsk	Siberia	200,000	Possible expansion to 500,000 tpy and retrofit
Bogoslovsk	Krasnoturinsk	150,000	Retrofit planned
Volgograd	Volgograd	135,000	Retrofit planned
Zaporozhye	Ukraine	120,000	Retrofit and expansion planned
Ural	Kamensk, Urals	100,000	–
Nadviotsy	Kola Peninsula	70,000	Retrofit planned
Kandalaksha	Kola Peninsula	70,000	Retrofit planned
Sumgait	Azerbaijan	60,000	Retrofit planned
Volkhov	St Petersburg	20,000	New plant rumoured
TOTAL		4,015,000	

Source: Metal Bulletin estimates

Pechiney chief warns of over-capacity problems

By Kenneth Gooding, Mining Correspondent

NOT even a strong recovery from the recession in the industrialised countries will change the need for the aluminium industry to shut down some production capacity, says Mr Bernard Legrand, executive vice-president and head of the aluminium division at Pechiney, the state-owned French group.

There is around 1m tonnes of new and expanded capacity to come into operation by the end *of 1992, and it would require an* unprecedented growth in aluminium demand – well over 6 per cent a year – if this is all to be absorbed.

A 4 per cent growth rate would be excellent, Mr Legrand points out.

Pechiney is the biggest European producer of primary aluminium and the fourth-largest in the world outside the former Soviet Union.

Like other producers, Mr Legrand says Pechiney is carefully considering *its* own position in the light of present world over-supply, sharply rising stocks and extraordinarily low prices.

These are probably at their lowest-ever level in real terms, *when inflation is taken into* account, and 60 per cent of the western world's primary aluminium production capacity is operating at a loss.

But Mr Legrand does not believe that the European producers should necessarily bear the brunt of the capacity closures now urgently needed.

The north American companies point out that the highest-cost aluminium smelters are in Europe and insist that they should logically be the first to shut down.

There is a war of nerves between producers, because they say it is uneconomic just to ease back production, but closures of full pot lines or smelters involve long-term *decisions because these are* very expensive to start up again.

Mr Legrand points out that each smelter is a special case. Some are protected from the low spot prices by long-term contracts and relationships with their customers.

In any case, Europe has made the biggest contribution to the recent restructuring of the industry, says Mr Legrand.

Between 1982 and 1992, about 665,000 tonnes of capacity in the European Community will have been permanently closed down.

In contrast, the so-called Lazarus smelters in the US, which shut during the last recession because of their high costs, have come back from the dead and most are still operating.

● Aluminium prices were in retreat on the London Metal Exchange yesterday after a day of volatile price movements.

Three-month metal closed near the contract lows seen in the morning. Traders said the upward technical correction of the early part of the week had been seen as an ideal selling opportunity by producer and merchant hedgers.

"There is no chance of a decent rally while producers keep pumping out unwanted metal," one trader said.

● Zambia is to lower the copper premiums it charges its long term contract customers next year, the Metal Marketing Corporation of Zambia said in London. Codelco said Chile is to lower the premiums for 1992 copper sales contracts in Europe and the Far East. Analysts said the premiums were in line with expectations.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta coffee prices *closed with moderate gains* supported by short covering and bargain hunting. Dealers noted a general lack of selling amid sentiment that there is little scope for further losses after the recent fall to the lowest levels for 16 years. New York arabica prices were also trying to consolidate gains at midday, but traders said overall sentiment remains bearish *owing to the abundance of* supplies in consumer hands. The London gold price showed little reaction to yesterday's statement *by Soviet economist Grigory* Yavlinsky that Soviet gold reserves will be 240 tonnes by the start of next year. "Yavlinsky is sticking to his guns, but we *don't know if they are pointing* in the right direction," a gold analyst said. Late last month Yavlinsky shook world markets when he said Soviet gold reserves had dropped to 240 tonnes. Western experts believe they are much higher. On the LME copper again closed ahead as the market consolidated but found difficulty in moving above the *$2,330-a-tonne resistance level.* Nickel continued to retreat after stiff resistance at $7,600 a tonne for three-month metal undermined *earlier gains on the back of news* of the strike at Western Mining's Kambalda operations.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.75-8.86z	+0.30
Brent Blend (dated)	$22.40-2.55	+0.45
Brent Blend (Nov)	$22.10-2.15	+.475
W.T.I. (1 pm est)	$23.28-3.33z	+.455
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$232-234	
Gas Oil	$220-222	+4.5
Heavy Fuel Oil	$75-77	+1
Naphtha	$224-228	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.85	-0.40
Silver (per troy oz)♣	409.0c	+1.0
Platinum (per troy oz)	$356.5	+1.25
Palladium (per troy oz)	$84.1	+1.1
Copper (US Producer)	112.0c	+1.0
Lead (US Producer)	38.0c	
Tin (Kuala Lumpur market)	14.83r	+0.02
Tin (New York)	257.0c	+1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.61p	+0.59*
Sheep (dead weight)†	110.45p	-6.86*
Pigs (live weight)†	73.10p	-3.26*
London daily sugar (raw)	$234.3j	-0.5
London daily sugar (white)	$265.0j	-2.5
Tate and Lyle export price	£246.5	+2.0
Barley (English feed)	£118.5	
Maize (US No. 3 yellow)	£140.5	-0.5
Wheat (US Dark Northern)	£101	
Rubber (Nov)♥	54.25p	+1.00
Rubber (Dec)♥	54.75p	+1.00
Rubber (KL RSS No 1 Nov)	230.0m	+3.0
Coconut oil (Philippines)§	$525y	
Palm Oil (Malaysian)§	$345q	
Copra (Philippines)§	$335j	
Soyabeans (US)	£158.5	+1.5
Cotton "A" index	66.45c	
Wooltops (64s Super)	336p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct/Dec t-Sep/Dec u-Oct x-Sep/Oct y-Nov/Dec z-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	183.00	185.00	183.00
Mar	187.20	186.40	188.00 185.20
May	185.60		184.20 183.20
Aug	190.20		188.00
White	**Close**	**Previous**	**High/Low**
Dec	279.5	280.9	280.2 278.5
Mar	279.0	280.4	279.0 277.5
May	278.5	279.2	277.5 277.5
Aug	279.0	280.0	278.0 277.7

Turnover: Raw 1307 (347) lots of 50 tonnes. White 814 (1016)
Paris- White (FFr per tonne): Dec 1614, Mar 1625

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	22.10	21.74	22.13 21.79
Dec	21.69	21.47	21.78 21.45
Jan	21.38	21.15	21.46 21.24
Feb	21.05	20.88	21.21 21.05
Mar	20.75	20.70	20.80 20.70
IPE Index	21.69	21.45	21.69

Turnover 26000 (21074)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	215.50	211.75	217.75 213.00
Nov	217.25	213.00	218.00 214.00
Dec	216.75	213.00	217.75 214.50
Jan	214.00	211.00	215.00 212.50
Feb	207.50	205.00	209.00 205.50
Mar	199.50	197.00	200.75 198.50
Apr	191.25	190.50	193.00
May	185.75		187.00
Jun	182.50	180.00	184.00 182.50

Turnover 25731 (19719) lots of 100 tonnes

WOOL
The Australian Wool Realisation has firmly rejected the Soviet offer to buy half the 4½ million bale stockpile on credit terms extended over two years. It is concerned at uncertainty in the market caused by publicity recently given to the Soviet offer, and assures buyers and users of wool around the world that stockpile wool will not be traded or re-exported in any way that could undermine recovery in the wool market. Recovery in the wool market meanwhile is difficult to identify. The price for a good range of wool types is firm, but irregularity persists elsewhere. The market indicator did however rise by 3 cents to 437.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	786	787	793 780
Mar	823	826	832 820
May	844	845	851 841
Jul	868	868	868 868
Sep	888	886	894 885
Dec	913	911	914 908
Mar	938	935	943 934

Turnover: 4685 (4114) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 8 965.37 (983.93) 10 day average for Oct. 9 963.61 (953.83)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	508	497	508 495
Jan	528	520	529 517
Mar	545	538	547 536

Turnover: 3207 (1829) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 8 : Comp. daily 61.09 (60.86) 15 day average 63.99 (64.35)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	131.5	131.0	132.3 130.4

Turnover 232 (271) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	140.50		140.50

Turnover 10 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1679	1673	1679 1670
Nov	1740	1744	1740 1735
Dec	1740	1740	1740 1735
Jan	1751	1746	1751 1740
Apr	1750	1748	1750 1749
Jul	1510	1511	1510
BFI	1570	1563	1570

Turnover 152 (169)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	118.00	117.60	118.00 117.60
Jan	121.65	121.25	121.75 121.30
Mar	124.55	124.15	124.50
May	127.40	127.10	127.40 127.10
Barley	**Close**	**Previous**	**High/Low**
Nov	113.65	113.25	113.60 113.25
Jan	117.50	117.25	117.60 117.30
Mar	120.30		120.30

Turnover: Wheat 273 (500), Barley 193 (28).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	98.0	101.0	100.0
Nov	101.5	102.5	101.0
Mar	106.0		105.0

Turnover:15 (26) lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	Vol
Indx	132.67	133.12			
Nov	133.00		133.00		30
Dec	133.00		134.00	133.00	32

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,582 lots
Cash	1099-100	1126-7.5		1107.5-8		
3 months	1127-8	1155-6	1153/1125	1137-7.5	1126-7	115,337 lots
Copper, Grade A (£ per tonne)						Total daily turnover 16,888 lots
Cash	1385-7	1364-6	1391	1391-2		
3 months	1389-70	1353-4	1384/1368	1377-8	1368-9	108,892 lots
Lead (£ per tonne)						Total daily turnover 2,359 lots
Cash	305.5-6.5	307-8	307/306	306-6.5		
3 months	315-5.5	316.5-7	319/314	315-5.5	313-4	12,489
Nickel ($ per tonne)						Total daily turnover 1,294 lots
Cash	7455-75	7480-500	7540	7540-5		
3 months	7500-10	7525-40	7675/7500	7580-90	7500-10	16,870 lots
Tin ($ per tonne)						Total daily turnover 862 lots
Cash	5510-20	5505-7	5515/5510	5505-10		
3 months	5575-80	5580-5	5580/5550	5560-5	5580-90	5,542 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,058 lots
Cash	993-4	999-1001	993	993-3.5		
3 months	1012-3	1017-8	1014/1012	1012.5-3	1011-2	27,415

LME Closing £/$ rate:
SPOT: 1.7175 3 months: 1.6975 6 months: 1.6776 9 months: 1.6621

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.40-357.90	
Opening	356.95-357.25	
Morning fix	357.60	209.921
Afternoon fix	357.65	209.434
Day's high	357.70-358.00	
Day's low	356.80-357.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.78	6 months	4.61
2 months	4.73	12 months	4.58
3 months	4.69		

Silver fix	p/fine oz	US cts equiv
Spot	239.70	408.25
3 months	245.95	413.75
6 months	251.90	419.25
12 months	263.95	430.80

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	357.75-358.75	209.60-210.00
Maple leaf	367.75-368.75	215.50-216.00
New Sovereign	87.25-88.25	51.00-51.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1000	122	153	2	7
1100	45	80	24	31
1200	9	34	87	82
Copper (Grade A)	**Calls**		**Puts**	
2200	145	134	14	51
2300	76	81	43	95
2400	32	45	98	157
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
450	56	79		2
500	10	40	4	13
550		15	44	38
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
775	37	821	28	34
800	27	68	43	45
825	19	58	60	58
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2100			2	29
2150		59		46
2200	14	40	18	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	359.5	357.6	359.0	358.0
Nov	360.5	358.6	0	0
Dec	362.1	360.2	362.2	360.2
Feb	364.8	362.9	364.5	363.0
Apr	367.4	365.6	367.5	366.3
Jun	370.2	368.3	0	0
Aug	373.1	371.2	0	0
Oct	375.9	374.0	0	0
Dec	378.9	377.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	364.1	357.1	365.0	358.0
Jan	367.0	359.9	367.5	360.0
Apr	370.7	363.6	370.5	363.6
Jul	374.5	367.4	373.0	371.0
Oct	381.8	374.7	379.0	379.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	407.9	404.9	0	0
Nov	409.3	406.3	0	0
Dec	411.3	408.5	412.0	406.0
Jan	413.3	410.5	0	0
Mar	417.7	414.9	418.0	414.0
May	422.1	419.3	420.0	420.0
Jul	426.3	423.4	426.0	424.0
Sep	430.6	427.7	0	0
Dec	437.2	434.3	436.0	436.0
Jan	439.7	436.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	108.45	108.00	108.50	107.50
Nov	107.58	107.00	107.50	106.50
Dec	106.45	106.00	106.70	105.30
Jan	105.35	105.00	105.20	104.70
Feb	104.60	104.25	0	0
Mar	103.85	103.50	104.00	102.60
Apr	103.35	103.00	0	0
May	102.75	102.40	103.20	102.00
Jun	102.35	102.00	0	0
Jul	101.95	101.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.70	8.75	8.73	8.59
May	8.58	8.63	8.61	8.50
Jul	8.55	8.61	8.59	8.50
Oct	8.50	8.56	8.54	8.44
Mar	8.40	8.47	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	23.16	22.99	23.33	23.05
Dec	22.98	22.82	23.12	22.87
Jan	22.74	22.62	22.89	22.67
Feb	22.50	22.40	22.64	22.42
Mar	22.24	22.16	22.38	22.19
Apr	21.98	21.92	22.10	21.96
May	21.77	21.73	21.87	21.75
Jun	21.60	21.58	21.75	21.60
Jul	21.45	21.45	21.58	21.50
Aug	21.33	21.35	21.42	21.35

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	6805	6706	6855	6730
Dec	6901	6815	6960	6845
Jan	6928	6851	6970	6865
Feb	6754	6704	6800	6715
Mar	6454	6419	6460	6430
Apr	6174	6154	6200	6150
May	5994	5979	5990	5980
Jun	5874	5864	5890	5880
Jul	5824	5814	5850	5820
Aug	5878	5871	5880	5860

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1270	1271	1279	1240
Mar	1326	1328	1332	1300
May	1359	1360	1359	1331
Jul	1387	1385	1386	1365
Sep	1411	1411	0	0
Dec	1442	1449	1425	1424
Mar	1475	1472	1465	1460
May	1500	1497	0	0
Jul	1525	1522	0	0
Sep	1550	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.80	80.30	81.30	80.40
Mar	84.75	84.15	85.00	84.30
May	87.15	86.50	87.25	86.75
Jul	89.70	89.00	89.70	89.00
Sep	91.80	91.65	92.00	91.80
Dec	95.50	95.45	0	0
Mar	97.90	97.90	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	62.65	66.00	63.70	63.70
Dec	64.45	66.73	64.75	64.17
Mar	66.07	67.25	66.45	65.89
May	66.85	65.75	67.00	66.60
Jul	67.56	65.80	67.75	67.25
Oct	66.28	66.70	66.20	65.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	126.30	134.25	133.00	128.25
Jan	126.90	131.80	131.00	126.80
Mar	127.70	132.70	130.60	127.70
May	129.00	134.00	131.00	130.00
Jul	129.00	134.00	132.75	132.75
Sep	129.00	134.00	0	0
Nov	129.00	134.00	0	0
Jan	129.00	134.00	0	0
Mar	129.00	134.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 9	Oct 8	mnth ago	yr ago
1619.2	1610.8	1670.2	1742.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 8	Oct 7	mnth ago	yr ago
Spot	115.06	114.97	118.28	128.91
Futures	123.14	123.11	123.56	130.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	569/6	572/0	574/4	568/4
Jan	580/4	582/6	586/0	579/2
Mar	591/2	593/2	595/4	590/0
May	599/2	602/0	604/0	599/0
Jul	605/6	608/2	610/0	605/0
Aug	604/4	606/0	606/0	604/4
Sep	592/2	592/4	595/0	592/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.71	19.82	19.79	19.62
Dec	19.98	20.10	20.19	19.90
Jan	20.17	20.29	20.27	20.02
Mar	20.48	20.54	20.58	20.35
May	20.75	20.80	20.90	20.65
Jul	21.02	21.10	21.18	21.00
Aug	21.11	21.20	21.26	21.11
Sep	21.22	21.30	21.30	21.22

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	186.9	187.8	188.2	186.6
Dec	184.8	185.7	186.6	184.5
Jan	183.1	184.3	185.0	183.0
Mar	182.0	182.8	183.5	181.7
May	180.5	180.8	181.5	180.0
Jul	180.2	180.3	181.2	179.5
Aug	180.5	180.3	180.5	179.8
Sep	179.2	179.5	180.0	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	248/6	249/4	250/0	248/2
Mar	256/6	257/6	258/2	256/4
May	262/6	263/6	264/0	262/4
Jul	266/2	267/4	267/6	266/2
Sep	258/0	258/4	258/2	258/0
Dec	254/0	254/6	254/6	253/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	343/0	346/6	347/4	341/6
Mar	346/2	347/4	349/6	344/0
May	339/0	339/6	341/6	337/0
Jul	325/2	326/0	327/4	323/2
Sep	331/0	331/0	333/0	329/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.27	72.32	73.40	72.22
Dec	76.72	76.37	76.77	76.12
Feb	75.32	74.95	75.37	74.95
Apr	75.62	75.42	75.80	75.50
Jun	72.50	72.20	72.65	72.20
Aug	70.40	70.30	70.80	70.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.55	45.92	45.95	45.35
Dec	43.95	44.60	44.60	43.90
Feb	43.58	44.05	44.10	43.50
Apr	41.52	42.02	42.15	41.50
Jun	46.60	46.82	46.80	46.60
Jul	46.70	46.90	46.85	46.60
Aug	45.22	45.37	45.25	45.05

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.22	44.47	44.70	43.15
Mar	43.15	44.40	44.50	43.10
May	44.15	45.42	45.40	44.10
Jul	44.85	45.80	45.65	44.80
Aug	42.50	43.55	43.35	42.60

LONDON STOCK EXCHANGE

Currency factors depress share prices

By Terry Byland, UK Stock Market Editor

DOMESTIC political concerns continued to depress UK stocks yesterday, outweighing any benefits for the London market from the improvement overnight on Wall Street.

A further setback in sterling and firmer money rates in London, reflecting fears that disagreements on European policy might surface at the UK Conservative party conference, dealt a further blow to hopes for early reductions in base rates.

However, the market steadied after Mr Norman Lamont, UK chancellor of the exchequer, told the Conservative conference of signs of "green shoots of an economic spring". Also helping equities was a late rally in sterling.

Political nervousness appeared to unsettle overseas,

Account Dealing Dates		
*First Dealings:		
Sep 30	Oct 14	Oct 28
Option Declarations:		
Oct 10	Oct 24	Nov 7
Last Dealings:		
Oct 11	Oct 25	Nov 8
Account Day:		
Oct 21	Nov 4	Nov 18

*New-time dealings may take place from 8.30 am two business days earlier.

rather than domestic, investors. US funds were believed to be switching out of London and into other European bourses.

However, traders warned that share prices had often been moved by technical factors. Equities opened higher but then turned down when the December futures contract opened at a discount to fair value, the level which allows for financing and dividend flows; some arbitrageurs sold blue chips and bought the futures contract.

After reaching 2,607.3 in early trade, the FT-SE Index dropped to show a net fall of nearly 25 points at the day's low. The final reading left it at 2,584.1, off 15.4 on balance.

Underwriting pressures made themselves felt as British Aerospace fell below the price set for the £432m rights issue. and the premium on the nil-paid rights shrank to 6p. However, the 15m-share rump of the Ladbroke rights issue was comfortably placed.

Seaq-reported trading, which takes in both intra-market and retail investment business, continued to recover. The day's Seaq total, swollen by the Ladbroke deal, increased to 435.2m shares from the 374.9m recorded in the previous session.

A small sell programme, said to be from a UK securities firm, was largely regarded as having only minor impact. A misreading of an investment review from another UK firm unsettled sentiment very briefly. Barclays de Zoete Wedd later stressed that its review on global markets had suggested that Wall Street might be facing a 5 per cent correction, but that it was maintaining its year-end forecast for the London market of FT-SE 2,600.

Wall Street's weakness this week – it has fallen by just over 1 per cent after losing the Dow 3,000 mark – has been a bear factor in London. BZW fears that Wall Street could test the Dow 2,700-2,900 range.

Weakness in sterling unsettled the blue chip export stocks, as well as dampening hopes of a cut in UK interest rates. ICI, with the market's hopes of a move from the Hanson camp fading daily, gave ground again. Glaxo held relatively steady, however, in a pharmaceutical sector revived by hints that an overseas bid might be in the offing.

Growing doubts on the near term outlook for base rates took their toll of property shares again. Consumer stocks remained firm, but across the broad range of equities the institutions were still unwilling to chase stocks ahead. Many fund managers are committed to the British Aerospace rights issue, which could present them with an unhappy start to their final quarter portfolio valuations.

FINANCIAL TIMES STOCK INDICES

	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.76	87.12	87.32	87.26	87.44	79.98	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.63	97.02	97.01	97.07	97.11	88.97	97.17 (2/10)	89.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1975.7	1991.5	1989.7	2018.7	2019.2	1625.7	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	167.3	167.2	166.5	161.2	159.9	175.9	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2584.1	2599.5	2596.2	2624.6	2625.6	2121.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1154.67	1160.51	1159.78	1170.14	1172.61	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.70	4.68	4.70	4.65	4.65	5.85				
●Earning Yld %(full)	7.40	7.46	7.49	7.41	7.42	12.27				
●P/E Ratio(Net)(*)	16.85	16.72	16.68	16.84	16.83	9.88				
SEAQ Bargains 4.45pm	28,767	28,263	23,257	30,955	32,693	22,607				
Equity Turnover(£m)†	-	845.89	558.22	773.90	923.92	1748.00				
Equity Bargains†	-	28,438	29,141	31,260	32,019	31,005				
Shares Traded (ml)†	-	304.0	278.7	408.1	414.4	859.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 ▲ FT-SE Eurotrack 200 26/10/90. ‡ Nil = 14.80

Ordinary Share Index, Hourly changes — Day's High 1997.4 — Day's Low 1964.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1996.9	1992.3	1970.2	1965.2	1968.1	1969.3	1971.0	1970.5	1974.7

FT-SE 100, Hourly changes — Day's High 2607.3 — Day's Low 2574.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2606.7	2590.4	2582.6	2575.5	2576.1	2576.5	2579.3	2579.8	2583.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1158.34 — Day's Low 1152.20

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1156.34	1154.54	1153.53	1153.46	1152.65	1153.51	1154.20

GILT EDGED ACTIVITY

Indices*	Oct 8	Oct 7
Gilt Edged Bargains	89.6	75.3
5-Day average	80.6	82.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Bid talk boosts Fisons

IN THE last 90 minutes of trade Fisons jumped 25 as rumours swept the market that Swedish drug company Astra was about to launch a takeover bid for the UK group. As the market closed, Astra denied any responsibility for the share price rise.

Analysts and traders were divided over whether such a bid made sense for Astra: both companies are heavily involved in the asthma drug market, although their products do not compete directly.

Sentiment was also helped by talk of a large buy order for stock and a revival of an old story that US approval was about to be given to the company's asthma drug Tilade. Analysts have been convinced for many months that the approval of Tilade is only a matter of time.

Traders also pointed out that Fisons has been weak since the company's disappointing interims on September 17 and therefore might attract speculative buyers. Fisons ended at 484p for a net gain of 21 after above average turnover.

Wellcome retreats

Wellcome declined as the US Food and Drug Administration approved the first rival to the company's Aids drug Retrovir.

The new drug, called DDI but sold under the trade-name Videx, is made by US company Bristol Myers Squibb. A year's treatment of the drug will cost $1,745 a year, wholesale – Wellcome researchers had been particularly concerned that if DDI's price had been set aggressively, it might have rekindled efforts to persuade Wellcome to cuts its price.

Analysts were further reassured by news that only patients who are not helped by Retrovir, or who show an adverse reaction, will receive DDI.

Those details came only as the market closed and Wellcome ended at the day's low of 704p, a decline on the day of 17. Sentiment was also hurt by a County NatWest decision to remove the stock from its list of 30 best buys.

BAe slides

British Aerospace (BAe) tumbled early in the session as traders tested the market to find a trading floor. At the day's worst, the shares were down 25 at 355p, the rights price being 380p.

The nil-paid, which began trading on Tuesday, halved to 3p. Sentiment was not helped by a story that one of the underwriters to the £432m rights issue had a large line of stock on its books.

Yield buyers came in later in the session and helped the shares, which closed only 3 down at 377p. Turnover was 3.6m. The nil-paid closed at 6p, unchanged on the day, after 3.2m traded. Fears that the rights issue would flop continued to overshadow trading.

Mr Paul Compton at UBS Phillips & Drew said: "There is some potential for a rally but the longer term downside remains considerable."

Vodafone dipped to 362p in early trading but encountered strong support in mid-session and eventually closed marginally higher on the day at 366p.

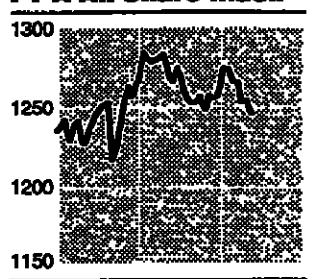
Racal Electronics edged up to 59p at the outset but then ran into a flurry of selling to close slightly easier on balance at 57p; turnover expanded rapidly to 10m. The market is gearing up for tomorrow's first closing day of the Williams bid, and expects Williams to increase its offer or a counter-bid to emerge.

RTZ bucked the market's downward trend with a gain of 3 to 559p, having been 8 higher at one point, as Lehman Brothers changed its recommendation from hold to buy.

Mr Robert Davies at Lehman said metal prices would probably rise faster than the market anticipated. Unlike the last recession, after which metal prices rose only slowly, inventories were now low. Furthermore, RTZ had invested more in efficient equipment than its US rivals and would therefore be able to work lower grade ores profitably.

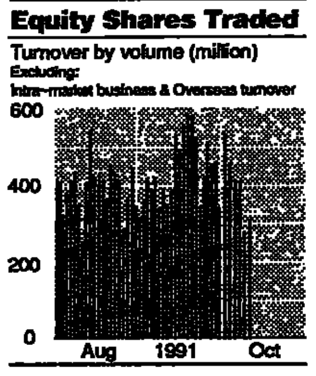
Advice from James Capel to switch from Pearson into Reed International left the former 17 down at 751p. Reed spent most of the day in positive territory, peaking at 477p. It eventually succumbed to the market's general gloom and ended a net penny down at 468p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Political uncertainties and recent warnings that the government is seeking to increase competition in the water industry continued to cast a shadow over the utilities. Welsh Water was the worst casualty in the sector, dropping 17 to 376p, closely followed by Yorkshire, which fell 14 to 386p.

Chemist shop chain Macarthy dropped 16 to 251p after it was announced that the proposed bid by Lloyds Chemists was to be referred to the Monopolies and Mergers Commission for investigation and report. Lloyds lost 5 to 273p.

Siebe was popular after one securities house, believed to be Kleinwort Benson, hosted a lunch on behalf of the company. The shares appreciated 10 to 530p.

ECC advanced 9 to 482p. Mr Richard Rae of securities house Hoare Govett said: "It is certainly a very high quality recovery story and not expensive at these levels."

Bank shares were persistently sold, with the notable exception of Lloyds Bank, up 2 more at 402p, still benefiting from the UBS Phillips & Drew buy note.

TSB was again the heaviest traded stock in the sector and slipped back to 138p, unsettled by fears that it is still suffering from bad corporate debts. The shares rallied, however, to end just a shade easier on balance at 139½p; turnover remained high at 4.8m.

Merchant banks tumbled as the market reacted to fears that British Aerospace's rights issue may well end up a flop and be left with the underwriters. Kleinwort Benson, lead underwriter to BAe's £432m cash call, dropped 14 to 326p.

An insurance sector still trying to repair the damage wrought by recent profits and dividend cuts, triggered mainly by mortgage indemnity losses and general insurance problems, was hit for six at the outset and failed to recover from the initial onslaught.

Worries about rights issues continued to dog the composites. The early decline was instigated by one market-making firm – Goldman Sachs – who lowered their prices across the board.

General Accident, badly mauled in recent sessions, settled 11 off at 513p, Royals dipped 9 more to 330p and Guardian retreated 5 to 170p.

A bearish note on the life sector issued by Robert Fleming Securities depressed the life assurance area. Fleming labelled Prudential (5 off at 254p) and Lloyds Abbey (8 lower at 397p) as sells. Fleming said: "We expect other life companies to follow Prudential's lead in 1990 in reducing reversionary bonuses, with implications for lower dividend growth than expected, and we continue to recommend an underweight position in the UK life sector.

Refuge, dropped from County NatWest's important list of 30 best buys, weakened 18 to 718p. Some determined selling pressure late in the day, said to have emanated from the US, upset Sedgwick, which fell 14 to 254p. Willis Corroon shares were also badly unsettled, closing 7 down at 292p.

Triplex Lloyd gained 12 to 156p and BM Group 10 to 428p, both benefiting from inclusion into County NatWest's "County 30" list of best buys.

British Airways firmed 5½ to 191½p following another profits upgrading. UBS Phillips & Drew predicted current year profits of £160m, up from £135m. Mr Richard Hannah at UBS cited a "stronger than expected passenger yield and cost reductions coming through earlier than anticipated".

The floor fell briefly from beneath Ratners after the failure of the 28-day rolling auction for one of four tranches of the company's variable term preferred shares (prefs). The failure of the auction raises the dividend payable on the prefs by about $2m a year.

One analyst said: "This is more significant than last week's downgrade by Moody's. It virtually ensures the failure of the next three auctions." These auctions take place every Tuesday. Ratners bottomed at 68p before bargain hunters pushed the shares to 82p, up a penny on the day.

Asda weakened 4 to 42p as worries resurfaced about its £357m rights issue, now that the shares are so close to the 35p rights price. Market specialists, however, believe the issue will eventually be taken up, although it was likely to be a struggle.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (87).
CORPORATION LOANS (1) GLC 6¾pc '90-92, AMERICANS (1) Morgan (JP), BANKS (7) Bank of Scotland 9¾pc Prf., Dai Ichi, Fuji, Mitsubishi, Mitsui Trust & Banking, Natl. Australia, Sumitomo, BREWERS (1) Grand Met., BUILDINGS (1) Manders, CHEMICALS (4) Jeyes, Laporte, Plysu, Yorkshire, STORES (4) Essex Furniture, Gabicci, Menzies (J), Sherwood, ELECTRICALS (3) Dale, MTL Instruments, Saga, ENGINEERING (7) Adwest, Ash & Lacy, BM, Metalrax, TACE, Triplex Lloyd, Vosper Thornycroft, FOODS (3) Cranswick Mill, Dalepak, Northern, INDUSTRIALS (18) AIM, BH Proprietary, BET, British Polythene, CRT, Cornwall Parker A, ECC, Glaxo, Hays, ML Laboratories, Medeva, Mitsubishi, Page (M), Pentland, Portmeirion Potteries, Silentnight, UDO, Worcester, INSURANCE (3) American General, Domestic & General, Taisho, LEISURE (1) Scottish TV, MOTORS (2) Cook (DC), Evans Halshaw, NEWSPAPERS (1) Quarto, PAPERS (3) Abbott Mead Vickers, Fairway (London), Waddington (J), PROPERTY (1) Mucklow (A&J), SOUTH AFRICANS (1) SASOL, TEXTILES (4) Atkins, Leeds, Lyles (S), Sirdar, TRANSPORT (2) Air London, Mayne Nickless, TRUSTS (17) Baillie Gifford Japan, Baring Puma, Biotech Pig. Prf., County Smllr. Cos., Drayton Blue Chip Zero Prf., Edinburgh Fund Man, Foreign & Colonial Pacific Wrrnts., GT Chile Fund Units, Genesis Chile Fund Ptg., Japan OTC Fund Inc., Kleinwort Smllr. Cos., Lancaster & London, Moorgate Inv., SPLIT Inc., Scottish Cities, TR Smllr. Cos., World Trust Fund Wrrnts., OILS (1) Global Natl. Res., MINES (1) Doral Res.
NEW LOWS (37).
BRITISH FUNDS (2) Tr. 12¾pc 1992, Cv. 9½pc 2004 A, BUILDINGS (8) Allwoods, Costain, Evered Bardon, Higgs & Hill, McAlpine (A), RMC, Tarmac, Taylor Woodrow, STORES (3) Alan Paul, Clinton Cards, Ratners, ELECTRICALS (1) Lec Refrigeration, ENGINEERING (2) Robinson (T), Verson Intl., FOODS (1) ASDA, INDUSTRIALS (7) British Aerospace, Do. 7.75p Prf., Davies (DY), Dean & Bowes, Elkem, Isotron, PFG Hodgson Kenyon, INSURANCE (1) Royal, LEISURE (2) Kunick, Quadrant, PAPERS (2) Gibbons Lyons, WPP, PROPERTY (3) Moucleigh 5.25pc Prf., Warnford Inv., Waterglade Intl., TRANSPORT (1) Cons. Freightways, TRUSTS (2) EFM Java, Malacca Fund Ptg., OILS (2) Midland & Scottish Res, Presidio A.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
Bunzl	291	97	-1	Ladbroke	1,700	255	-2	Royal Insurance	749	330	-8	Wellcome	920	704	-17
Burmah Castrol	557	576	+13	Land Securities	1,100	507	-12	Saatchi	17,000	15	+¼	Welsh Water	1,100	377	-16
Burton	1,700	45½	-½	Laporte	821	604	+3	Sainsbury	1,500	348	-2	Wessex Water	911	417	-6
Cable & Wire.	1,200	563	+1	Legal & General	892	386	-12	Scottish & New.	581	412	+1	Whitbread 'A'	1,700	462	
Cadburys	1,500	412		Lloyds Abbey	2,400	397	-8	Scot. Hydro-Elect.	698	114	-1	Williams Hldgs.	772	330	-4
Calor Group	312	239	-3	Lloyds Bank	2,400	402	+2	Scottish Power	1,000	119	-1	Willis Corroon	815	292	-7
Carlton Comms.	154	496	-1	LASMO	1,609	302	-6	Sears	1,400	68½	-2½	Wimpey	338	166	-2
Coats Viyella	387	176		London Elect.	642	284	-12	Sedgwick	835	254	-14	Yorkshire Elect.	519	234	-7
Comm. Union	851	485		Lonrho	1,100	235		Seaboard	659	204	-8	Yorkshire Water	614	367	-13

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

SELLERS of the stock index futures knocked the confidence out of the underlying cash market yesterday after a tremor of early strength, writes Peter John.

The December Footsie future opened higher on the back of a strong Wall Street. However, dealers responded to a strategy note from BZW which was bearish on performance in the US but widely misinterpreted as forecasting a slide in London. The stock futures were also said to be affected by the sharp fall in gilt futures and nervousness surrounding the Tory party conference. One US house, in particular, was said to be a heavy seller.

The downward trend continued throughout the morning and December slid further below its estimated fair value premium to the index. However, Wall Street defied expectations of weakness and the December responded by picking up off the day's low to edge ahead to its official close of 2,618, a premium of 34 points to the index and 8 points below fair value. Turnover was healthy at more than 8,000 contracts.

Traded options saw brisk turnover of nearly 32,500 lots, comfortably above the estimated break-even point of 30,000. The top stock options were Amstrad and Tesco.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104¼	94¾	Treas. 10pc 2003	102⅛	–⅜	9.80	9.72
111	102	Treas. 11½pc 2001–04	109⅝xd	–⅜	10.49	9.91
[illegible]						
100⅞	90	Conversion 9½pc 2004 A	23¾		9.62	9.69
100⅞	90⅞	Conversion 9½pc 2005	98⅞xd	–⅞	9.62	9.68
121¾	111	Treas. 12½pc 2003–05	119⅝	–⅜	10.48	9.76
88⅞	79⅞	Treas. 8pc 2002–06‡‡	86⅞	–⅜	9.20	9.68
Over Fifteen Years						
115⅞	105⅞	Treas. 11¾pc 2003–07	113⅞	–⅞	10.35	9.75
93⅞	84⅞	Treas 8½pc 2007 ‡‡	91⅞	–⅜	9.32	9.59
129⅞	118⅞	Treas. 13½pc '04–08	126⅞	–⅜	10.64	9.75
98	88⅞	Treas. 9pc 2008 ‡‡	95⅝xd	–⅜	9.41	9.53
89⅞	80	Treas 8pc 2009	86⅞	–⅜	9.20	9.54
97⅞	88⅞	Conv 9pc Ln 2011 ‡‡	95⅞	–⅜	9.44	9.53
98⅞	91⅞	Cnv. 9pc 2011 A	95⅞	–⅜	9.51	9.55
66	58⅞	Treas. 5½pc 2008–12‡‡	64⅛	–⅜	8.58	9.48
85⅞	76⅞	Treas. 7¾pc 2012–15‡‡	83⅞	–⅞	9.30	9.54
125¼	113⅞	Exch. 12pc '13–'17	122¼	–1	9.82	9.56
Undated						
41¾	37⅞	Consols 4pc	40⅛	–⅜	9.82	–
37⅞	33⅞	War Loan 3½pc‡‡	36⅞	–⅜	9.61	–
60⅞	57¾	Conv. 3½pc '61 Aft	59⅞	–⅜	5.85	–
30⅞	28¼	Treas. 3pc '66 Aft	29⅞xd	–⅛	10.02	–
26⅞	23⅞	Consols 2½pc	25⅞xd	–⅛	9.83	–
26⅞	23⅞	Treas. 2½pc	25⅞	–⅛	9.93	–

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or –	(1)	(2)
122¼	115⅞	Treas. 2pc '94	(102.9)	122⅞	–⅛	2.63	3.59
176⅞	168⅞	Do. 2pc '96	(67.9)	176⅞	–⅜	3.37	3.89
144⅞	137⅞	Do 2½pc '01	(78.3)	144⅞	–⅜	3.90	4.19
140⅞	133	Do 2½pc '03	(78.8)	139⅞	–⅜	3.96	4.21
142⅞	135	Do. 2pc '06	(69.5)	142⅞	–⅛	4.04	4.24
130⅞	124⅞	Do. 2½pc '09	(78.8)	129⅞	–⅜	4.08	4.26
134⅞	128⅞	Do. 2½pc '11	(74.6)	134⅞	–⅛	4.09	4.26
110⅞	105⅞	Do. 2½pc '13	(89.2)	110⅞	–⅛	4.10	4.26
118	113⅞	Do. 2½pc '16	(81.6)	117⅞	–⅜	4.10	4.25
113⅞	109½	Do. 2½pc '20	(83.0)	112⅞xd	–⅛	4.11	4.24
95¼	91⅛	Do. 2½pc '24‡‡	(97.7)	93⅞	–⅛	4.09	4.22

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1991: 130.2 and for August 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼Ln 2010	105⅞	–⅛	10.51	10.39
102⅞	91⅞	Asian Dev Bk 10¼pcLn2009	100⅞	–⅛	10.20	10.18
[illegible]						
125	101	Utd. Mexican States 16½pc 2008	124	–½	13.31	12.87

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	104	–½	11.06	11.00
98⅞	93½	GLC 6¾pc 1990–92	98⅞	+⅛	6.85	11.00
119½	110½	Leeds 13½pc 2006	117½	–2	11.49	11.08
31	28	Liverpool 3½pc Irred.	30½	–½	11.48	–
27½	26	LCC 3pc '20 Aft	27½	+½	10.91	–
105½	97½	Manchester 11½pc 2007	105	–½	10.95	10.85

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
95	84½	Sth Rhod. 87–92 Assd.	95	......	4.74	–

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106	102	N'wide Anglia 3¾pc Ln 2021	105½	–¼	–	5.40
107¾	104	Do. 4.25pcIL '24	107	–½	–	5.05

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52½	–½	5.71	10.00

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	......	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	......	3	f6.00
50	50	Do 4pc Mixed Ass.	50	......	2	f4.00
55	55	Hung. '24 Ass.	55	......	2.75	f3.57
133⅞	120⅞	Hydro Quebec 15pc 2011	131½	–1⅞	15.0	11.02

Continued on next page

APPOINTMENTS

Britannia Building Society senior post

■ Mr John Heaps (pictured), will assume the position of deputy managing director of the BRITANNIA BUILDING SOCIETY from next Monday. Central to Mr Heaps' role will be his chairmanship of a new management board comprising Britannia's executive directors which will be responsible for the planning, management and control of Britannia. The management board will report to Britannia's board of directors through managing director Mr Michael Shaw.

In addition to Mr Heaps, the management board will comprise Mr Trevor Bayley (finance director) and Mr John Fenton (retail operations director).

Mr Heaps, 52, who was formerly chief executive of the Colne Building Society, joined Britannia on the merger of the two societies in 1983. He became a director of Britannia this June and is currently responsible for information systems.

■ CAPITAL RADIO said Mr Richard Eyre is to be appointed managing director. He will replace Mr Nigel Walmsley, who left Capital Radio earlier this year to join Carlton Communications.

Currently media director of advertising agency Bartle Bogle Hegarty, Mr Eyre, 37, hopes to join Capital over the next few weeks. He is chairman of JICRAR, the joint industry committee on radio audience research, and chairman of the Media Circle, an association of practitioners in advertising representing agencies and media owners.

■ Mr Christopher Burnett has been appointed chairman of VIVAT HOLDINGS, succeeding Mr Michael Cooper. Mr Burnett is chairman of Moorfield Holdings and also Fogarty, and a non-executive director of Wolstenholme Rink.

■ RENOLD has appointed Mr Roger Burdett, who joined the company last November as managing director – UK Gears Division, to the board. In this capacity he will continue to have responsibility for UK Gears and the South African business.

Mr Burdett was previously divisional managing director of Parkfield Castings.

■ At EUROPEAN LEISURE, Mr Ian Rock has taken on the role of group managing director. Mr Christopher Critchlow, currently director responsible for financial control and planning, becomes finance director, and Mr Jeremy Howarth has assumed responsibility for strategy and planning.

Mr Rock joined the board in 1990 and was the company's operations director. He was previously a director of Midsummer Leisure and managing director of its leisure division.

■ WILLIAMS DE BROE, one of the longest established stockbrokers and, since 1986, majority owned by Banque Bruxelles Lambert, has named Mr Philip Darwall-Smith as director, investment management division.

Mr Darwall-Smith was most recently a consultant, assisting the administrators of British & Commonwealth Merchant Bank. Prior to that he was a director of the investment management division of Lazard Brothers & Co.

■ THE LITTLEWOODS ORGANISATION has appointed Mrs Janetha Stubbs to the board as a non-executive director.

Mrs Stubbs, the youngest child of Sir John Moores, the group's founder, has taken an active interest in the business in recent years.

■ Mr Neil Netto has joined LAWSON MARDON, the international packaging and printing group, as corporate legal adviser and European counsel. He was company and commercial lawyer/deputy group secretary to Nationwide Anglia Group.

■ Within the PEARSON group, parent of the Financial Times, Mr Warren Stone, chief executive of Addison-Wesley Publishing, its US based educational, professional and general publishing business, has also been appointed chairman of Addison-Wesley.

Mr J. Larry Jones, president of Addison-Wesley's educational publishing group, has been named vice-chairman.

Mr Stone succeeds Mr Donald Hammonds, 64, who is retiring. Mr Hammonds was chief executive of Addison-Wesley from 1979 to 1989, a period when its sales and publishing activities grew rapidly worldwide. In 1988 Mr Hammonds negotiated the sale of the company to Pearson.

■ Mr Keith Mackrell has become a member of the BOWATER board. He recently retired from Royal Dutch/Shell Group, where he was a director of Shell International and regional co-ordinator, East and Australasia.

Mr Mackrell is also a director of Regalian Properties and Standard Chartered.

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AMERICANS

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BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS - Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

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LEISURE—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	2¼	BBCE Hldgs 5p	4		–	–	–	–
178	123	Barr & W.A.T. 'A'	169		9.75	1.7	7.7	10.4
840	425	Boosey & Hawkes	818		†16.4	2.9	2.7	15.1
58	24	Border T.V.	56		2.1	2.6	5.0	10.1
88	9½	Brent Walker 10p	26½	+8½	5.0	–	25.2	–
28	2½	Do 6pc Cr Cn Rd Pf £1	10½	+3½	–	–	–	–
56	13	Buckingham Int'l. 10p	28		–	–	–	–
360	183	Campari Int. 20p	358		‡2.1	1.8	‡	6.5
231	134	Capital Radio 2½p	222	–2	†11.0	2.9	4.1	9.8
548	350	Carlton Comms 5p	496	–1	5.25	2.9	3.1	15.0
85	61	Do. 6.5p Prf 5p	80		†14.1	2.4	3.8	13.9
253	168	Castle Comms. 5p	218		6.5	–	10.8	–
1030	480	Central ITV	1028	–2	8.5	1.7	5.2	14.6
164	120	Chiltern Radio 10p	163		28.5	1.2	3.7	29.9
89	39	Chrysalis	81		†4.8	2.6	3.9	12.5
49	27	Cityvision 5p	36xd	–2	‡2.0	–	‡	–
6	3	Classic Th'tres $0.20	4		1.0	7.0	3.7	4.8
308	225	Eurocamp 5p	298	–3	‡8.5	2.5	3.8	14.3
1410	908	Euro Disney Fr10	1365	+5	–	–	–	–
30	5	European Leis. Ir25p	8	–1	1.7	2.2	28.3	1.3
144	21½	Ex Lands 10p	95		–	–	–	–
47	8	Expedier 20p	8		1.0	2.7	16.7	2.2
593	405	Fairline Boats 10p	538		21.0	4.1	5.2	6.3
282	188	First Leisure	267	+2	†5.05	2.6	2.5	18.4
260	195	GWR Group 20p	259		‡6.0	3.2	‡	13.6
78	59	Grampian TVA 10p	76	–1	4.1	3.1	7.2	5.9
8	4	Greenwich Comms. 1p	4		–	–	–	–
63	33	HTV Ord	51		3.75	1.2	9.8	11.8
285	55	Hi-Tec Sports	199	–1	5.0	2.9	3.4	13.6
4¾	1½	Int'l Media Comms. 1p	2¼		–	–	–	–
64	30	Int'l. Resort Hldgs	51		2.5	‡	6.9	‡
92	49	Invicta Sound 10p	89		1.0	4.2	1.5	28.0
47	24	Kunick 10p	24	–½	2.0	2.2	11.1	5.7
88	53	Do. 8¼pc Pf. 5p	68	–2	8.25	–	16.2	–
114	80	LWT (Hldgs) 5.925p Pf 5p	113	+2	†3.94	–	4.6	–
335	262	Manchester Utd 10p	294	–1	–	–	–	‡
353	155	Marina Devs. 50p	171		5.0	0.5	3.9	–
179	124	Metro Radio Grp 5p	178		5.0	3.0	3.7	12.0
102	84	Midlands Radio 10p	88		‡4.5	1.0	‡	19.8
6½	2½	Millwall Hldgs. 1p	3		–	–	–	–
116½	34	Owners Abroad 3p	111	–2	†q2.9	4.0	3.5	9.4
181	70	Do. 9.75p Cv Pf 10p	178	–5	9.75	–	7.6	–
250	189	Pickwick	192		5.35	3.0	3.7	11.8
140	76	Prism Leisure 10p	126		4.95	2.4	5.2	10.4
127	53	Quadrant Group 10p	56	–1	4.0	1.7	9.8	8.2
289	222	Radio Clyde	287		†8.25	2.6	3.8	13.3
578	257½	Scott. TV 10p	574		h14.38	2.2	3.4	17.9
18½	8½	SelecTV 1p	17½		–	–	–	‡
20	11	Sleepy Kids 5p	12		–	–	–	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
106	66	Asda Property 20p	88xd		†1.85	0.8	2.8	62.[illegible]
32	18	BDA Hldgs. 10p	23		–	–	–	–
48	30	BHR Group 50p	34		‡1.0	–	‡	–
68	45	Baker Harris Saunders 10p	51		2.5	1.8	6.5	11.[illegible]
71	52	Barlows 10p	53	–2	2.48	0.6	6.2	38.[illegible]
493	325	Bilton (Percy)	483		†17.44	1.5	4.9	18.[illegible]
68	51	Bolton Grp. 5p	62½		–	–	–	–
85	47	Bourne End Prop.	47		2.0	–	5.7	–
151	115	Bradford Prop. 5p	150		3.7	2.9	3.3	14.[illegible]
88	58	Bredero Props.	60		‡2.4	2.7	‡	7.[illegible]
94	44	Britannia Grp. 5p	50		3.0	1.2	8.0	13.[illegible]
333	255	British Land	300	–4	5.75	1.7	2.6	28.[illegible]
£116	£100	Brit. Land 8¾pc Cv	£107	–1	Q8¾%	–	8.1	–
212	151	Brixton Estate	201xd	–3	†7.1	1.5	4.7	17.[illegible]
49	35	Burford Hldgs 1p	44½		†0.85	2.0	2.5	25.[illegible]
18	9	Cabra Ests.	11½		0.1	–	1.2	–
*353	226	Capital & Counties	239		H10.0	1.8	5.7	9.[illegible]
95	79	Do 5¾pc Prf £1	74		5.75%	–	10.4	–
135	107	Cap. & Reg. Prop.	109		0.9	0.8	1.1	–
325	190	Cardiff Prop 20p	195		2.4	2.5	1.6	32.[illegible]
640	475	Chesterfield	520		18.5	1.5	4.7	18.[illegible]
95	70	Do. 5.25pc Cv Cn Pf £1	75	–1	5.25	–	9.3	–
59	37	Christie Grp 2p	44		–	–	–	–
160	105	City Site Estates	110		1.92	–	2.3	–
60	27	Clarke Nickolls	45xd		†0.75	1.0	2.2	(63.[illegible]
92	22	Clayform Props 5p	37	–1	‡2.0	–	‡	–
9	2	Do. Warrants	2		–	–	–	–
725	600	Compco Hldgs 20p	600		12.96	–	2.9	–
35½	12	Control Secs. 10p	17xd	–½	0.7	4.1	5.5	4.8
78	48	CountyGlen	48		–	–	–	–
885	720	Daejan (Hldgs)	855		24.0	2.6	3.7	13.8
67	32	Danbury Grp 10p	33		L5.06	2.0	20.4	2.0
11¼	2¼	Dares Estates 5p	3¼		0.25	–	10.3	–
*18	4	de Morgan Group 5p	7		–	–	–	–
130	82	Debenham Tewson 5p	104		6.0	1.3	7.7	13.6
158	120	Dencora	120		5.5	0.2	6.1	–
715	595	Derwent Valley 5p	618		8.25	–	1.8	–
32½	18	Duplex House Ir25p	18		–	–	–	3.2
137	87	Dwyer Ir25p	90		4.0	–	5.9	–
63	36	Do. 7¼pc Pf. £1	37		7.25	–	26.1	–
45	6	Embassy Prop. Grp. 10p	10		‡5.0	2.0	‡	1.0
65	25	Eng & O'seas Prps 10p	31		‡q2.5	4.6	‡	2.4
53	38	Erostin Group	40		7.0	3.1	23.3	1.9
275	250	Ests. & Agency	250		a5.0	1.7	2.7	27.7
130	83	Ests. & Gen. 20p	130		3.75	0.7	3.8	(54.0)
73	56	Do. 6pc Cv. Pf.	70		6.0	–	11.4	–
75	60	Etonbrook Props.	71		2.75	20.6	5.2	1.1
145	93	Evans of Leeds	139	–5	3.74	1.7	3.6	20.0
80	40	Ewart	65		1.0	8.7	2.1	7.4

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
1313	840	Siam Fd. Red. Prf	978	–17	–	–	–	–
518	303	Singapore SESDAQ Ic	352	+5	–	–	–	–
56	33	Singer & Friedlander	46		2.5	1.7	7.2	10.6
145	95	Smith New Court	124	+1	3.5	1.2	3.8	27.8
87	61	Do. Cnv Prf 50p	77	+2	6.5	–	11.3	–
131	114	South America Fund	121	+2	–	–	–	–
48½	40	Do. Warrants	42	+1	–	–	–	–
419	254	South East Asia Wnts Ic	352	+5	–	–	–	–
58	27	Sterling Trust 10p	58	–1	q4.0	0.5	10.7	(4.6)

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
53	24	ACM 50c	51	+1	Q3c	‡	2.5
27	13	ACM Gold	19½	+½	Q5c	‡	13.2
5	3	Arboyne 50c	3		–	–	–
36½	20	Aztec Explo	31		ZQ1c	–	1.5
49	25	Bougainville 1 Kina	29	+4	–	–	–
662	355	CRA $2	587		Q44c	1.9	‡

Tins

Miscellaneous

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
£11¾	£7¾	Homestake Mining $1	£8¾	–¼	Q20c	–	1.3
61	30	Hiberia West	52		–	–	–
46	35	Kells Mins. Ir5p	35	–1	–	–	–
25	7½	Kenmare	8		–	–	–
18	15	Navan Resources	16		–	–	–
99	52	Northgate Expl. C$1	65	+1	–	–	–
16	5	North West Exp	5		–	–	–
188	82	Oryx Gold Hldgs	129	+2	–	–	–
23	10	Ovoca Gold IR 2p	18		–	–	–
44	17	Plateau Mining 20p	18		–	–	–
605	404	RTZ 10p	599	+4	19.5	1.7	4.7
11	3¼	Thorco Res. Inc	10½	+¼	–	–	–
10	3	Vizcaya Hldgs 5p	3		–	–	–
152	76	Wstrn & Pac Res	81	+2	–	–	–
133	118	Young Group 10p	128		5.2	1.8	5.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	638	–2
Finlay Pkg. 5p	28	+2
Holt (Jos) 25p	1985xd	
Helton Hldgs	38	
IRG	125	
United Drug	175	

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 2010	£94	
9pc Cap Ln. 1996	£98½	
Fin. 13% 97/02	£113¾	
Arnotts	198	–10

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	35
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Stock	p
Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Stock	p
Aviva Petm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Stock	p
Lonrho	20
RTZ	44

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AUTHORISED UNIT TRUSTS

Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا مع الأصل

FT MANAGED FUNDS SERVICE

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	51.30	51.30	51.81	+0.01	10.6
Chrfld Primace	5½	48.20	48.45	51.68	-0.26	9.29
Ethical	5½	49.86	50.87xd	54.12	-0.20	4.65
European Growth	5½	46.95	46.95	50.08	----	3.5
Income	5½	47.57	48.06	51.26	-0.36	7.33
Intl Growth	5½	64.60	65.07	69.41	+0.61	3.34
Managed	5½	58.88	59.54	63.51	+0.08	4.41
UK Growth	5½	51.79	52.37	55.86	-0.35	5.44

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Exempt Acc	3	196.4	198.6	206.8	-1.1	2.97
Do Income	3	187.4	189.6	197.4	-1	2.97

Standard Life Tst Mngmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5½	36.34	36.34	38.62	+0.1	2.41
UK Equity Gth Acc	5½	48.54	49.51	52.61	----	1.95
UK Eq High Inc Inc	5½	33.80	34.56xd	36.71	-0.2	5.55
UK Eq High Inc Acc	5½	38.01	38.85	41.28	-0.2	5.55
UK Equity Gen Acc	5½	47.20	47.96	50.96	----	3.07
UK Equity Gen Inc	5½	36.93	37.53xd	39.88	----	3.07
UK Larger Cos Acc F	7½	305.9	309.9	336.3	-0.2	4.41
UK Larger Cos Inc F	7½	246.3	249.5xd	270.8	-0.1	4.41
Gilt & Fxd Int Inc	5½	27.31	27.38xd	28.96	-0.1	8.21
O'seas Larg Cos Acc F	7½	215.5	219.7	238.4	+1.3	2.11
Nth American Acc	5½	34.33	34.54	36.70	+0.4	0.76
Far East Acc	5½	42.41	43.49	46.21	+0.1	0.16
European Acc	5½	33.20	34.88	37.07	+0.1	1.80

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	292.1	292.1	312.4	+5.1	1.35
(Accum Units) ♥	5	341.7	341.7	365.5	+6.0	1.35
British	5	820.0	830.0	878.1	-4.4	5.45
(Accum Units)	5	1347.2	1363.6	1442.7	-7.2	5.45
European	5	322.4	322.4xd	343.3	-0.1	1.52
(Accum Units)	5	349.4	349.4	372.1	-0.1	1.52
Japan	5	120.4	120.4	127.9	+0.6	-
(Accum Units)	5	121.3	121.3	128.9	+0.6	-
New Pacific	5	167.5	167.5	178.1	+1.3	1.96
(Accum Units)	5	172.0	172.0	182.9	+1.4	1.96
PEP Oct 9	5	144.8	146.8	155.4	-1.4	3.61

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Oct 3	496.84	500.54xd	----	2.82
Gross Oct 3	190.05	191.58	----	10.18
High Yield Oct 3	300.19	302.61	----	7.27

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	52.8	93.86xd	-0.37	3.69

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1215	1309	----	-
Mngd Pens (Acc)	71.0	75.7	----	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2,440.0	2,680.0	+5.00	6.00
Inc Gth Prp Apr 16	£1,325.0	1,460.0		7.20

Lazard Investors Ltd #

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Oct 10	£3937.1	4083.9	+11.30	3.96
European Oct 10	£536.2	541.9	-4.80	2.09
American Oct 10	£353.4	357.2	+0.80	2.27
Japan Oct 10	£531.4	537.1	+0.60	1.21
Pacific Oct 10	£139.3	142.9	+1.20	1.94
W Midlands Sep 30	£147.60	164.90	----	2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 30	193.05	196.90	----	7.81
Equity Sep 30	893.70	906.20	----	4.02

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Oct 8		104.08	-0.4	10.35
(Accum Units)		598.04	-2.3	10.35
KAACIF Oct 8		43.24	-0.4	9.09

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Oct 8	127.8	139.0	----	3.69
UK Small Co † Oct 8	550.4	598.2	----	3.36
Fixed Interest † Oct 8	112.3	118.1	----	8.45
US Small Co Oct 8	158.9	169.9	----	0.00
Managed Oct 8	108.3	116.7	----	3.38

INSURANCES

OTHER UK UNIT TRUSTS

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd.	108.5	114.2	......	-
Pension Managed Fd.	106.9	112.6	......	-
Life Deposit Fd.	109.9	115.6	......	-
Pension Deposit Fd.	116.2	122.3	......	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	168.6	177.5	-0.3	-
UK Equity	180.4	189.9	-1.9	-
Overseas Equity	132.3	139.3	+0.9	-
Fixed Interest	154.9	163.1	+1.6	-
Property	134.9	142.0	-2.5	-
Index Linked	151.5	159.5	+0.4	-
Deposit	162.3	170.9	+0.3	-
With Profits (B)	132.8	139.8	+0.2	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	358.0	376.9	-0.7	-
UK Equity	453.5	477.4	-3.5	-
Overseas Eq	344.9	363.1	+2.3	-
Americas	286.5	301.6	+4.7	-
Far East	382.3	402.5	+4.3	-
Property	194.3	204.6	-0.2	-
Fixed Int.	269.8	284.1	-0.6	-
Indexed Gilt	160.5	169.0	-0.4	-
Deposit	186.2	196.1	+0.1	-
With Profit	103.7	109.1	......	-
Pension Fund (Accum Units)				
Managed	515.1	542.3	-1.2	-
UK Equity	612.3	644.6	-4.7	-
Overseas Eq	582.8	613.5	+4.4	-
Americas	362.0	381.1	+5.3	-
Far East	622.8	655.6	+5.4	-
Property	247.2	260.3	-0.2	-
Fixed Int.	336.0	353.7	-2.7	-
Indexed Gilt	175.3	184.6	-0.5	-
Deposit	263.2	277.1	......	-
NPI Pensions Management Ltd				
Managed Fund	1139.4	1159.7	......	-

Prices October 1 Next dealing November 1

Norwich Union Asset Management Ltd
PO Box 140 Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	73.2	77.1	-0.2	-
Stock Market Mngd Fund	72.1	75.9	-0.1	-
Equity Fund	81.2	85.5	-0.5	-
International Fund	63.6	67.0	+0.5	-
European Fund	63.6	67.0	-0.1	-
North American Fund	70.7	74.4	+1.0	-
Pacific Fund	68.9	72.5	+0.7	-
Property Fund	79.3	83.5	......	-
Fixed Interest Fund	61.2	64.5	-0.4	-
Index Linked Sec Fund	63.1	66.5	-0.2	-
Deposit Fund	71.4	75.2	......	-
NUAM Retirement Plans				
Mixed Fund	81.9	86.2	-0.3	-
UK Ordinary Share Fd.	96.3	101.3	-0.8	-
International Fund	68.3	71.8	+0.5	-
Property Fund	83.1	87.4	......	-
Fixed Interest Fund	75.1	79.1	-0.5	-
Index Linked Sec Fund	67.3	70.8	-0.3	-
Deposit Fund	85.3	89.8	......	-
NUAM (RF)				
Managed Fund	1033.3	1087.7	-3.5	-
Equity Fund	2222.6	2339.6	-17.6	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	230.1	242.8	(z)	-
UK Fixed Int Acc.	185.9	196.2	(z)	-
Intl Equities Acc.	173.3	182.9	(z)	-
UK Managed Acc.	176.3	185.9	(z)	-
Property Acc.	226.5	239.0	(z)	-
Money Acc.	131.9	139.2	(z)	-
Special Market Acc.	150.0	158.3	(z)	-
Japan Equity Acc.	105.6	111.4	(z)	-
North American Acc.	101.5	107.1	(z)	-
Pacific Acc.	94.1	99.3	(z)	-
Technology Acc.	121.3	128.0	(z)	-
Nat Resources Acc.	54.4	57.4	(z)	-
European Acc.	100.1	105.6	(z)	-
Residential Prop Acc.	94.6	99.8	(z)	-
Swiss Equities Acc.	33.2	35.1	(z)	-
Hong Kong Acc.	68.5	72.3	(z)	-
UK High Inc Eq Acc.	75.5	79.7	(z)	-
Int. Fixed Interest Acc.	60.0	63.3	(z)	-
Int. Managed Acc.	56.3	59.3	(z)	-
HIP Managed Acc.	117.6	124.0	(z)	-
HIP Managed II Acc.	103.4	109.0	(z)	-
HIP Managed III Acc.	110.1	116.1	(z)	-
Total Investment Bond				
UK Equity Initial		156.2	(z)	-
UK Fixed Int Initial		126.5	(z)	-
Intl Equities Initial		117.0	(z)	-
UK Managed Initial		119.9	(z)	-
Property Initial		155.1	(z)	-
Money Initial		90.2	(z)	-
Special Market Initial		116.4	(z)	-
Japan Equity Initial		81.9	(z)	-
North American Initial		78.6	(z)	-
Pacific Initial		72.9	(z)	-
Technology Initial		94.0	(z)	-
Nat Resources Initial		42.1	(z)	-
European Initial		89.5	(z)	-
Residential Prop Init.		90.2	(z)	-
Swiss Equities Initial		31.7	(z)	-
Hong Kong Initial		65.4	(z)	-
UK High Inc Eq Init.		72.0	(z)	-
Int. Fixed Interest Init.		58.0	(z)	-
Int. Managed Init.		54.5	(z)	-
HIP Managed Init.		114.1	(z)	-
HIP Managed II Initial		101.7	(z)	-
HIP Managed III Init.		109.5	(z)	-
Broker Funds				
High Performance	75.1	79.2	(z)	-
Towerhill Mngd Fd Acc.	65.1	68.6	(z)	-
YRA Executive Fd.	99.0	104.4	(z)	-
£ Global Growth Acc	127.2	134.1	(z)	-
£ High Income Money Acc.	142.8	150.6	(z)	-
IM Balanced		34.7	(z)	-
H F Speculative Fd.		122.4	(z)	-
AAFS Int. Man Fund		127.1	(z)	-
Ambrose-Green Liv Port.		65.8	(z)	-
Individual Pension Funds				
UK Equity Acc	252.5	266.4	(z)	-
UK Fixed Interest Acc.	237.8	250.9	(z)	-
Intl Equities Acc.	221.4	233.6	(z)	-
UK Managed Acc.	193.0	203.5	(z)	-
Property Acc.	203.8	215.0	(z)	-
Money Acc.	166.6	175.8	(z)	-
Special Market Acc.	238.8	251.9	(z)	-
Japan Equity Acc.	167.4	176.6	(z)	-
North American Acc	125.0	131.9	(z)	-
Pacific Acc.	176.4	186.1	(z)	-
Technology Acc.	157.0	165.7	(z)	-
Natural Resources Acc.	84.4	89.1	(z)	-
European Acc.	112.8	119.0	(z)	-
Residential Prop Acc.	102.1	107.8	(z)	-
Swiss Equities Acc.	33.3	35.2	(z)	-
Hong Kong Acc.	70.6	74.5	(z)	-
UK High Inc Eqty Acc.	82.8	87.4	(z)	-
Int Fixed Interest Acc.	65.0	68.6	(z)	-
Int. Managed Acc.	57.4	60.5	(z)	-
Group Pension Funds				
Equity Acc.	839.7	865.7	(z)	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.59	17.42	+0.02	1.05
Japan Tech	$63.56	66.74	-0.12	-
Japan Fund	$26.62	27.96	+0.03	0.17
Japan New Gen Fd	$20.59	21.62	-0.10	-
Malay Sing	$49.21	51.68	-0.14	0.31
Nth American	$21.49	22.57	+0.08	0.36
Octopus Fund	$21.11	22.17	-0.01	0.88
Pacific Fd	$63.66	66.85	+0.38	-
International Bond	$17.46	18.34	-0.04	6.89
Europa Fund	$13.43	14.11	-0.05	-
British Screen Fd	£0.95	1.00		-
Tristar Warrant	$10.21	10.73	-0.04	-
Hong Kong	$50.55	53.08	+0.18	3.09
Mngd Portfolio (Stlg)	£4.20	4.53	-0.01	-
Mngd Portfolio (Dlr)	$10.23	10.79	-0.04	-
Currency Fd-Sterling	£19.49		+0.01	-
Currency Fd-US Dollar	$15.36			-
Curr Fd-Deutschemark	DM40.52		+0.02	-
Curr Fd-Managed $	$44.95	47.19	-0.06	-

Federated International Funds Plc

	Bid Price	Offer Price	+ or -	Yield Gross
Federated Short-Term US Gov't Securities Fund				
Institutional Svc Series*	$1.00		----	5.36
Investment Series*	$1.00		----	5.36

* Annualised Yield

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Break Portfolio	6	1.0115	1.0115	1.0727		1.63
Gilt	5	0.9292	0.9292	0.9581		10.04

For MIM see INVESCO MIM

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	56.41	56.41	58.75	-0.35	9.55
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.51	101.51	104.55		10.00
Gilt & Fixed Interest	3	104.58	104.58	108.44	-0.41	7.93
Blue Chip & Gilt Eqtd	5	50.88	50.88	54.19	-0.22	3.69
International Bond	5	110.16	110.16	116.70	+0.52	5.48
UK Equity	5	137.33	137.33	149.19	-0.28	0.92
International Equity	5	119.21	119.21	127.56	+1.06	0.00
Far Eastern	5	93.84	93.84	100.30	+1.76	0.00
European	5	86.79	86.79	91.80	+0.13	0.00
Pan American	5	146.46	146.46	156.10	+1.24	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	96.52	96.51	99.73	-0.63	10.33
Monthly Share	3	96.15	96.15	99.34	-0.63	10.37

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	0.5747	0.5747	0.612	[illegible]	1.34
ADI Mgd Currency(z)	5	0.3892	0.3892	0.4104	[illegible]	5.58
ADI W'wide Eq(z)	5	0.6387	0.6387	0.6802	[illegible]	1.13
ADI Nth Amer Gth(z)	5	0.742	0.742	0.7902	[illegible]	0.01
ADI Far East (z)	5	1.12	1.12	1.192	[illegible]	1.12
ADI Gilt & Income(z)	5	0.2504	0.2504	0.264	[illegible]	8.64

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.16		+0.02	9.6
US Dollar	$32.33		+0.02	4.3
Deutschemark	DM54.89		+0.01	7.9
Yen	Y4,028		+0.001	6.0
Managed Multicurrency	£13.22	13.69	+0.01	-

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political worries hit sterling

STERLING remained under pressure yesterday on continuing worries about the standing of the ruling Conservative party, although by the London close it had recovered some of its losses following widespread speculation that the Bank of England had intervened in the currency markets.

For once, it was UK government bonds which set the tone for the sterling markets, shedding over 1¼ points in the last two sessions. Gilt futures led the way as its losses spread to the currency markets.

Disagreements within the Conservative party over its attitude towards Europe reinforced by concerns about recent opinion polls which have put the Labour party in the lead undermined the pound. There was also disappointment that sterling had not moved into the narrower 2¼ per cent band within the Exchange Rate Mechanism.

However, with the market awash with rumours that the Bank of England had intervened in the currency markets, the pound did not fall far. Indeed, dealers believed the Bank had intervened late on Tuesday to support sterling but had not done so yesterday.

An upbeat speech by Mr Norman Lamont, chancellor of the exchequer, at the Conservative party conference about the prospects for the economy also lifted sterling.

Further support came from the money markets, where firmer money rates bolstered the pound. With three months money now just under 10½ per cent, the markets are not expecting any early reduction in base rates.

The growing belief that sterling's weakness will delay further cuts in interest rates is also likely to help the pound.

Despite the jitters in the currency markets, sterling remains comfortably above its effective floor within the ERM. At last night's close of just over DM2.90, sterling is around 4 pfennigs above its floor against the D-Mark.

Many analysts now believe the government is targeting sterling within the narrower 2¼ per cent band. But even on this count, sterling is still comfortably above its real floor of DM2.88.

Sterling closed lower at DM2.9025 from DM2.9075; at SFr2.5400 from SFr2.5450; and at FFr9.8850 from FFr9.8875; but rose to Y223.25 from Y223.00; and to $1.7170 from $1.7145. On the Bank of England's figures, sterling fell 0.2 to 90.2, recovering from an early low of 89.9.

The dollar moved erratically but eventually settled slightly down on the day. The US currency had begun firmly following speculation that Mr Mikhail Gorbachev, the Soviet president, had been shot. This was later denied.

The dollar fell back as large mark-yen positions were unwound. The market is now waiting for the US September retail sales and producer figures on Friday.

The dollar fell to DM1.6910 from DM1.6950; to SFr1.4800 from SFr1.4855; to Y130.10 from Y130.00; and to FFr5.7575 from FFr5.7675.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.344	-3.21	4.49	56
Italian Lira	1538.24	1529.72	-0.55	1.70	30
Belgian Franc	42.4032	42.1755	-0.54	1.68	29
Dutch Guilder	2.31643	2.30720	-0.40	1.54	22
D-Mark	2.05586	2.04804	-0.38	1.52	28
Irish Punt	0.767417	0.765748	-0.22	1.36	12
Danish Krone	7.84195	7.89632	0.69	0.44	-29
Sterling	0.696904	0.704392	1.07	0.06	-21
French Franc	6.89509	6.97332	1.13	0.00	-59

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6970 - 1.7175	1.7165 - 1.7175	0.77-0.75cpm	5.31	2.09-2.06pm	4.83

EXCHANGE CROSS RATES

Oct.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.717	2.903	223.3	9.885	2.540	3.273	2170	1.940	59.90	1.424
$	0.582	1	1.691	130.1	5.757	1.479	1.906	1264	1.130	34.89	0.829
DM	0.344	0.591	1	76.92	3.405	0.875	1.127	747.5	0.668	20.63	0.491
YEN	4.478	7.689	13.00	1000.	44.27	11.37	14.66	9718	8.688	268.2	6.377
F Fr.	1.012	1.737	2.937	225.9	10.	2.570	3.311	2195	1.963	60.60	1.441
S Fr.	0.394	0.676	1.143	87.91	3.892	1	1.289	854.3	0.764	23.58	0.561
H Fl.	0.306	0.525	0.887	68.22	3.020	0.776	1	663.0	0.593	18.30	0.435
Lira	0.461	0.791	1.338	102.9	4.555	1.171	1.508	1000.	0.894	27.60	0.656
C $	0.515	0.885	1.496	115.1	5.095	1.309	1.687	1119	1	30.88	0.734
B Fr.	1.669	2.866	4.846	372.8	16.50	4.240	5.464	3623	3.239	100.	2.377
ECU	0.702	1.206	2.039	156.8	6.942	1.784	2.298	1524	1.362	42.06	1

Long term Eurodollars: two years 6¼-6⅛ per cent; three years 6¾-6⅝ per cent; four years 7⅛-7 per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	1.95	-	-	0.14	0.50	-
106	1.14	-	-	0.35	0.77	-
107	0.58	1.10	-	0.75	-	-
108	0.24	0.70	-	-	-	-
Open Int	98,612	42,607	2,440	80,325	37,405	8,573

Estimated volume 13,442 Total Open Interest 269,962

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unitbank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk.	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates rise

LONDON money rates rose strongly yesterday as sterling weakened within the European Exchange Rate Mechanism and against the US dollar. This coincided with a slight hardening in rates in many of the major nations, where speculation that there will not be an early cut in US rates led to a tightening in most money markets.

The key, three months interbank rate rose ⅛ percentage point to 10⁷⁄₁₆-⁵⁄₁₆ per cent, just below the current level of bank base rates, and a clear indication that the money market expects no immediate reduction in interest rates.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

An abrupt decline in the gilt market late in the previous session rippled out across the UK markets yesterday, with sterling and finally the money markets being affected.

The cause of the markets' unease was a growing belief that the ruling Conservative party is not as united as the opposition Labour party, which could undermine its standing with the public. Recent opinion polls have put Labour ahead of the Conservatives.

Furthermore, the decision not to call a general election in November is being seen as a sign of political weakness. Initially, the move was welcomed since the market believed it would remove political uncertainty.

With sterling's effective exchange rate index down by 0.5 at 89.9 in early dealings the reaction in the money market was to mark rates higher.

Period rates were given a further boost after the Bank of England announced a large daily money market shortage of £1.2bn. A large number of bills were maturing and this drained liquidity from the market.

After the shortage was announced there was speculation that the Bank was about to send a signal, via its money market operations, that it wanted no change in interest rates.

In the event, the Bank merely conducted routine market operations. However, with the Bank not able to meet the market's liquidity needs until late in the day, rates were kept firm throughout the session.

There was also a stronger tone to many interest rate markets around the world, and this tended to be led by the futures markets. A belief that there will not be an early cut in US rates and that Germany may tighten monetary policy has caused this change in sentiment.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 9) 3 months US dollars		6 months US Dollars	
bid 5⅜	offer 5½	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
		One month	5.08	Three year	6.20
		Two month	5.12	Four year	6.39
Prime rate	8	Three month	5.15	Five year	6.86
Broker loan rate	7	Six month	5.27	Seven year	7.36
Fed.funds	5⅛	One year	5.34	10-year	7.52
Fed.funds at intervention	5⅛	Two year	5.94	30-year	7.93

Oct.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.15	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8¹⁵⁄₁₆-9⅛	9⅛-9¼	9³⁄₁₆-9⁵⁄₁₆	9¼-9⅜	9⁵⁄₁₆-9⁷⁄₁₆	9.25
Zurich	7⅝-7⅞	8-8¼	-	8-8⅛	-	-
Amsterdam	9.06-9.12	9.16-9.21	-	9.25-9.30	-	-
Tokyo	6⅞-6¹³⁄₁₆	6¾-6¹³⁄₁₆	-	6⅝-6½	-	-
Milan	10⅞-11	11¼-11½	-	11⅝-11¾	-	-
Brussels	9.12-9.25	9.15-9.21	-	9.22-9.29	-	-
Dublin	10-10⅛	10⁵⁄₁₆-10⁷⁄₁₆	10⅛-10¼	10⅜-10½	10¼-10½	-

LONDON MONEY RATES

Oct 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10¹¹⁄₁₆	10¹¹⁄₁₆	10⅝	10¼	10¼
Interbank Bid	8	10⅜	10⅝	10½	10⅛	10⅛
Sterling CDs	-	-	10¹¹⁄₁₆	10⁹⁄₁₆	10⅜	10⅜
Local Authority Deps.	10½	10½	10½	10¼	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10⅜	-	-	-	-
Company Deposits	-	-	10⅝	10½	10⅜	10¼
Finance House Deposits	-	-	10⅝	10⁹⁄₁₆	10⅜	10⅜
Treasury Bills (Buy)	-	-	10¼	9⅞	9½	-
Bank Bills (Buy)	-	-	10⁵⁄₁₆	10	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.27	5.35	5.35	5.53
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9¹⁵⁄₁₆	9¹⁵⁄₁₆	9¹⁵⁄₁₆	9¹⁵⁄₁₆
ECU Linked Dep. Bid	-	-	9¹³⁄₁₆	9¹³⁄₁₆	9¹³⁄₁₆	9¹³⁄₁₆

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 9¹⁵⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 9.7480 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30 ,1991 . Agreed rates for period Oct.26, 1991 to November 25 , 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30 , 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

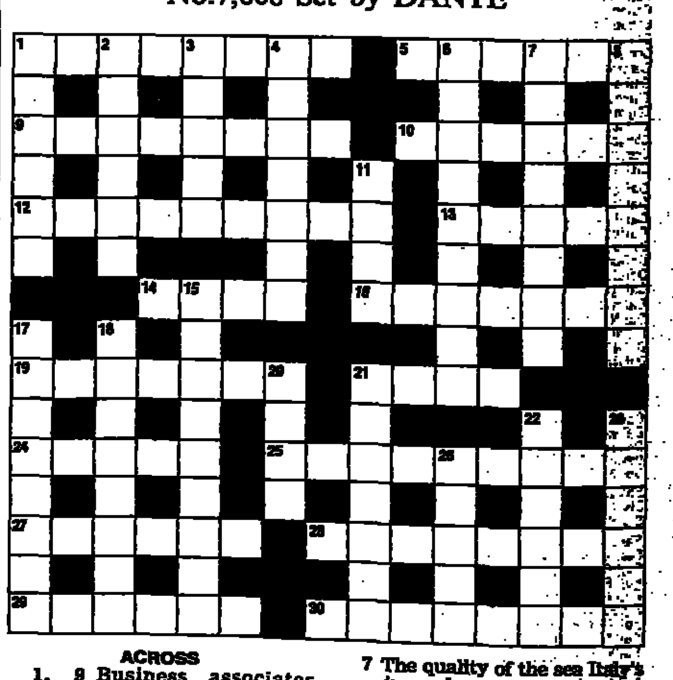
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,668 Set by DANTE



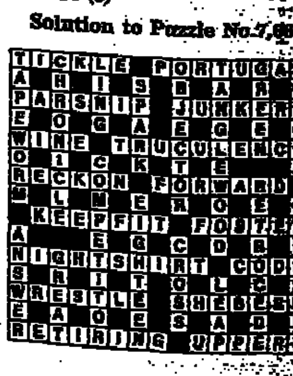
ACROSS

1, 9 Business associates caught napping? (8,8)
5 People count (6)
9 See 1
10 Act as substitute in attack (4,2)
12 Bad actors (4-5)
13 Partly uniform in cut perhaps (5)
14 Cinderella's sisters were so unfair (4)
16 Politician for whom no tears are shed (7)
19 Doesn't hurry from Estoril (7)
21 Signals and strikes the ball? (4)
24 It may be cut and pickled (5)
25 Abyssinian prince carries girl in battle (9)
27 Things difficult to live up to in one's trade? (6)
28 A local tour (3,5)
29 Understand butter may mean increase in weight (3,3)
30 Man racked with greed? Not the British bobby! (8)

DOWN

1 Soldier with papers in order (6)
2 Girl from near Wigan – a six-footer (6)
3 Very good end perhaps that is longed for (5)
4 Room for children to play (7)
6 Sixteen involved with church living (9)
7 The quality of the sea Italy's in, perhaps (8)
8 Insecure sort of job many want (8)
11 Requests time off from jobs (4)
15 It sounds a beastly form of warfare (9)
17 Not working very hard when there's a quarter missing? (8)
18 Word that may be misspelt, though the easiest (8)
20 Father gets another rise (4)
21 Put income down or work it out electronically (7)
22 Di and Irma injured in collision (6)
23 Wagnerian heroine that is about to be disposed of (6)
26 Spiked running shoes may be (5)

Solution to Puzzle No.7,667



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 9	Oct 8	Oct 7	Oct 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2946.33	2963.77	2942.75	2961.76	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	97.13	97.27	97.21	97.30	97.30 (4/10)	91.30 (16/1)	97.30 (4/10/91)	54.99 (1/10/81)
Transport	1182.92	1188.34	1178.44	1187.59	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.50	212.82	212.51	212.63	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High (a) (2983.68) Low (a) (2927.77)

STANDARD AND POOR'S

	Oct 9	Oct 8	Oct 7	Oct 4	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	376.80	380.67	379.50	381.25	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	445.37	449.61	448.54	450.59	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.11	30.58	30.50	30.84	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	207.95	209.78	209.16	210.22	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	368.52	369.19	369.02	371.47	374.95 (1/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	513.81	517.25	516.20	520.40	528.51 (1/10)	355.75 (14/1)	528.51 (1/10/91)	54.87 (31/10/72)

	Oct 4	Sep 27	Sep 20	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.08	3.04	4.04

	Oct 2	Sep 25	Sep 18	year ago (approx.)
S & P Industrial div. yield	2.74	2.73	2.73	3.49
S & P Indl. P/E ratio	21.14	21.14	21.15	14.55

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Santa Fe	4,470,900	9⅛	...
Telefonos	3,190,900	40⅝	- ½
H.Med.Est.	3,127,600	16¾	- ⅜
Allied Signal	2,821,000	40⅞	+ 4¼
AT & T	2,667,400	36½	- ⅛
Citicorp	2,468,600	12⅞	- ⅛
West Elect.	2,306,300	18⅛	+ ⅛
Gen. Elect.	2,110,100	65⅞	- 1⅛
Bablaco RJ	2,042,900	10½	...
Triton	1,915,000	36⅛	- 2⅝

TRADING ACTIVITY

† Volume (Millions)	Oct 9	Oct 8	Oct 7
New York SE	186.590	170.000	149.790
Amex	11.796	11.092	10.092
NASDAQ	(a)	158.963	133.854
NYSE			
Issues Traded	2,102	2,095	2,104
Rises	530	883	522
Falls	1,044	678	1,067
Unchanged	528	534	515
New Highs	75	74	67
New Lows	28	29	37

CANADA

TORONTO	Oct 9	Oct 8	Oct 7	Oct 4	1991 HIGH	1991 LOW
Metals & Minerals	2774.29	2761.97	2761.88	2779.61	3299.99 (18/7)	2632.06 (9/1)
Composite	3339.50	3353.71	3357.13	3378.87	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1772.41	1775.51	1779.39	1789.47	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 9	Oct 8	Oct 7	Oct 4	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1571.2	1567.8	1579.2	1587.0	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	626.0	628.6	640.2	649.2	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	437.32	436.30	445.14	451.14	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1099.35	1100.33	1101.61	1102.43	1212.15 (17/4)	937.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	357.41	358.41	359.48	361.47	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	851.1	849.6	852.8	855.1	1186.9 (8/4)	843.3 (2/10)
FRANCE						
CAC General (31/12/82)	490.68	489.68	490.86	491.60	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1843.43	1848.11	1843.58	1851.91	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	658.56	653.50	658.04	661.15	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1827.5	1835.9	1849.4	1845.0	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1567.22	1578.71	1588.66	1601.73	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4076.38	4066.85	4060.37	4067.69	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1414.70	1418.78	1426.17	1438.47	1520.65 (15/5)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	529.77	533.48	535.18	539.03	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24485.26	24155.62	24330.83	24596.90	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1860.75	1859.13	1872.38	1883.32	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2865.35	2878.20	2892.63	2898.36	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	508.22	508.26	508.25	513.11	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	275.4	276.1	274.2	275.7	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	193.8	194.2	193.2	194.0	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	735.03	732.68	729.42	740.28	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	982.51	982.50	998.99	988.27	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	369.29	370.31	372.56	373.79	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1173.0§	1184.0	1196.0	1168.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4048.0§	4069.0	4079.0	4061.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	709.38	707.75	713.88	720.53	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	266.58	266.18	266.96	265.31	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1004.5	1006.2	1018.0	1029.3	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	742.9	742.2	741.0	744.6	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	610.7	612.2	612.2	615.1	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4825.48	4846.55	4817.65	4742.71	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	634.76	633.80	645.56	664.47	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	512.9*	515.1	517.6	520.6	529.2 (17/4)	439.1 (16/1)

**Saturday October 5: Taiwan Weighted Price: 4796.66. Korea Comp Ex. 712.52

§ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 9 October 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	8.3m	608	+8
Teikoku Oil	8.3m	980	+34
Cosmo Oil	6.4m	905	+11
C Itoh	5.1m	712	+14
Morinaga	4.5m	811	+19
Hitachi Zosen	4.3m	686	-2
Mitsubishi Oil	3.8m	1,260	+20
Topy Ind	3.8m	800	+7
Meiji Seika	3.8m	1,210	-20
Showa Shell	3.6m	2,050	+40

4:00 pm prices October 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9⅛	AAR Corp	0.48	0.04	17	81	13	12⅝	12¾	-⅛
18¾	14½	A L Labs A	0.16	0.01	20	826	18⅝	18	18⅛	+⅛
55¾	40⅞	AMP Inc	1.44	0.03	18	1874	48½	47⅝	48¼	+⅛
88⅝	44¼	AMR			104	191	57	56¾	56⅞	+½
2⅝	1	ARX			1	122	1⅝	1½	1½	-¼
56	41½	ASA	3.50	0.07	13	1211	48⅜	47¾	47⅞	-½
65⅜	38¼	Abbott Lab x	1.00	0.02	22	3888	63½	53⅛	53⅞	
14⅝	9⅞	Abitibi Pr x	0.60	0.04	23	9	12⅞	12⅞	12⅞	-⅛
11⅝	10⅜	ACM Gvt In x	1.28	0.11		618	11½	11⅜	11⅜	
9¾	8¾	ACM GvOpp x	1.01	0.10		90	u9¾	9⅝	9⅝	
9⅞	8¼	ACM Gvt Sp x	1.01	0.11		665	u9½	9¼	9⅜	
11	9⅞	ACM Gvt Se	1.25	0.12		832	10⅞	10¾	10⅝	-⅛
9	7⅝	ACM Man x	1.01	0.12		420	8⅞	8¾	8¾	
12⅞	11½	ACM Mangd x	1.35	0.11		282	12¾	12⅝	12⅝	
7½	4¼	Acme Cleve x	0.40	0.06	16	26	6⅛	6⅛	6⅛	
6	3⅜	Acme Elect			2	80	4⅛	4	4⅛	
40	22¾	Acuson			22	1665	33	32½	32⅝	-¼
19⅛	14¼	Adams Expr	0.73	0.04	0	33	18⅞	18¾	18¾	-⅛
20⅛	17½	Adobe12Pf	2.40	0.12		z100	19⅝	19⅝	19⅝	
9⅛	6⅝	Adobe Res			47	1139	7⅜	7	7⅛	-⅛
38⅛	18	Ad Micro				51	32	31¾	31¾	
14⅛	4⅝	Ad Micro P	3.00	0.32	15	5321	9⅜	8⅞	9⅛	+¼
5⅛	2⅛	Advest Grp	0.16	0.04	5	248	3½	3½	3½	
49⅛	31⅞	Aetna Lf x	2.76	0.08	7	1380	34⅝	34⅜	34½	-⅛
10⅝	6⅝	Affil A	0.24	0.03	43	288	7⅞	7⅞	7⅞	
20⅞	12	Ahmanson	0.88	0.05	10	1678	16⅞	16½	16⅝	-⅛
14⅞	2⅞	Aileen Inc			14	159	u14⅞	14⅝	14¾	
74⅛	51⅞	Air Pr Chm x	1.56	0.02	14	712	68½	65¾	66½	+⅞
30	15⅝	Airbne Frt	0.30	0.01	16	808	25⅝	24⅞	25	-⅝
19⅞	12½	Airgas Inc			102	69	18½	18¼	18½	
15¼	10	Airlease	1.68	0.13	6	15	12⅞	12⅝	12⅝	-¼
96½	88¼	AlaPw8.16	8.16	0.08		3	96	95¼	96	+¼
25⅛	21⅜	AlaPw PfA	2.00	0.08		11	u25⅛			
106½	100	AlaPw9.44	9.44	0.09		z100	105½	105½	105½	+2

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
62¼	35¼	Xerox	3.00	0.05		101469	61⅛	60½	60¾	-½
61½	43¾	Xerox4.125				3	51	51	50½	
23½	14⅛	Xtra 1.94				353	u23½	23⅛	23⅛	-¼
27⅞	14¼	Xtra Corp	0.72	0.03	66	353	26⅝	25⅞	26	-⅝
25½	21¾	Yankee Egy	1.60	0.06	12	42	u26	25½	25⅞	+⅜
1½	⅞	Zapata			2	746	¾	⅝	⅝	-⅛
9⅜	5¼	ZenithElec			1	850	5⅞	5⅜	5¾	+¼
18½	12	Zenith Nat x	1.00	0.06	94	63	16	15¾	16	+½
6⅛	4½	Zenix Inc	0.84	0.13		60	u6⅝	6⅛	6⅜	
15⅛	10⅞	Zero Corp	0.40	0.03	15	38	13	12⅞	13	
41⅞	29½	Zurn Ind	0.88	0.02	13	450	34¼	33¾	34	
13½	10¼	Zweig Fund x	1.16	0.09		218	12½	12⅛	12⅛	-⅛
10⅞	8½	Zweig Totl x	0.86	0.09		589	10¼	10⅛	10⅛	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices October 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	242	11⅛	11⅛	11⅛	+⅛
Perini		6	12	9¼	9⅛	9⅛	-⅛
Pet H&P	0.31	12	12	10⅛	10⅛	10⅛	
Phil LD	0.17	8	644	21⅛	20	20⅜	-⅛
Pitway A x	1.10	10	36	24	23¾	24	+⅜
Ply Gem	0.12	159	14	8	7⅞	8	+⅛
PMC x	0.68		57	8¾	8⅝	8⅝	-¼
PresidioA	0.10	2	53	3⅝	3⅝	3⅝	+⅛
Price Com		0	12	¼	¼	¼	
Prol Care		23	189	10½	10¼	10⅜	-⅛
Nabors		13	2745	5⅜	5¼	5⅜	-⅛
Nat Pimt		1	421	4⅜	4⅛	4⅛	-⅛
New Line		29	414	13	12⅞	13	
NY TimesA	0.56	48	1623	20⅛	19⅝	20⅛	+¼
NthCanOil	0.20	32	12	13¼	13⅛	13⅛	
Numac O&G		40	60	4½	4½	4½	
NV Ryan		0	52	¾	¾	¾	-1/16
Odetics A		16	32	4	4	4	
Olsten	0.24	32	332	22¼	21⅝	21¾	-⅜
OSII Corp	0.14	13	394	9⅛	8¾	8⅞	-¼
Pall Corp	0.44	26	731	38⅞	38⅛	38½	-⅛
Giant FdA	0.68	11	374	22½	22⅛	22¼	
Glatfltr x	1.20	14	39	51½	51¼	51¼	
Goldfield		8	88	¾	d¾	¾	
Greenman		60	103	3⅝	3½	3⅝	
Greiner	0.20	18	15	15¾	15	15⅛	+⅛
GRI Corp		8	16	2¾	2⅝	2⅝	
Gulf Cda	0.36	165	5	6⅝	d6⅝	6⅝	
Hasbro	0.24	35	449	29⅞	29⅜	29⅜	-¼
Health Ch		1	33	1½	1½	1½	
US Cellul		29	30	20	19⅝	19¾	+⅛
Vivigen		24	363	14¾	14⅛	14⅝	+⅛
WangLab C		1	6	5⅞	5⅝	5⅝	-⅛
WangLab B		1	1254	2⅞	2⅝	2⅝	-¼
Wetherfd		27	470	5⅞	5⅝	5⅜	+⅛
Westamer	0.48	13	15	u21	20½	21	+¼
WIRET	1.36	11	239	13	d12½	12⅝	-¼
Worthen		8	200	17	17	17	+⅛
Xytronix		35	466	21¾	20½	20⅞	+⅝

URBAN DEVELOPMENT

The FT proposes to publish this survey on
November 11 1991.

The FT is read by 47% of Chief Executives of Europe's largest companies who expect their spending on premises/industrial sites to increase. As the FT is also the leading daily publication for reaching relocation decision makers in the UK, this survey will be of vital importance as an advertisement medium. To receive the editorial synopsis and advertisement details, contact,

Ruth Pincombe
Financial Times.
Alexandra Buildings,
Queen Street,
Manchester M2 5HT
Tel: 061 834 9381
Fax: 061 832 9248

Data source: Chief Executives in Europe 1990 BMRC Property Decision Makers 1990

FT SURVEYS

NASDAQ NATIONAL MARKET

4:00 pm prices October 9

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		34	6949	30½	26	27	-3
XL Data		32	219	11¼	10⅞	10⅞	-⅜
Xoma Corp		8	3161	15¾	d15	15	-¼
Yellow Fr	0.94	16	327	30¼	29⅞	29⅞	-⅜
York Rsch		58	1137	7⅛	6⅝	6¾	-⅜
Zenstlab x	1.44	9	99	45½	44½	45¼	

PRINTING TECHNOLOGY

The FT proposes to publish this survey on
28 October 1991
More senior European businessmen in the paper, printing and publishing industries, read the Financial Times than any other business title. If you want to reach this important audience, call Bill Castle on 071 873 3760.

Data Source: EBRS 1991

FT SURVEYS

FINANCIAL TIMES

Thursday October 10 1991

AMERICA

Prices depressed by worries over third quarter

Wall Street

SHARE PRICES gave up most of Tuesday's gains yesterday after worries about third quarter earnings had depressed market sentiment and counteracted hopes of an interest rate cut, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 17.44 at 2,946.33. The more broadly based Standard & Poor's 500 also ended weaker, down 3.87 at 376.80, while the Nasdaq composite of over-the-counter stocks fell 3.45 to 513.80. Volume on the NYSE was a brisk 188m shares.

The market has been expecting poor quarterly earnings, and several companies yesterday reported weak profits or sizeable losses for the period. Investors, however, have responded favourably to companies unveiling radical, and costly, restructuring programmes which are aimed at preparing for improved economic times ahead.

A case in point yesterday was Allied Signal, which saw its shares jump $4½ to $40⅝ on turnover of 2.6m shares after the company announced it would be taking a pre-tax write-off of $880m in the third quarter to finance a variety of cost-cutting measures.

These include a reduction in the dividend, the loss of 5,000 jobs, the divestiture of eight non-strategic business units, and a drop in capital spending by $225m.

The market was less generous towards Union Carbide, which fell $½ to $19 after the company said that it was taking a third quarter charge of at least $60m, possibly more. The company also reported third quarter net income of $91m on sales of $2.2bn.

A profits warning from Ford hit the carmaker's stock, which declined $¾ to $29⅞ on the news that losses between July and September will be worse than the second quarter deficit of $324m.

Shares of the two other big manufacturers fell in sympathy, with General Motors down $1⅛ at $37⅝ and Chrysler $¼ at $10⅛.

There was some rare good corporate news from Chase Manhattan, which gained $⅛ to $18⅞ after the banking group said it would not cut its dividend and that it expected third quarter net income to come in near the second quarter's 80 cents a share mark.

Bristol-Myers Squibb climbed over $1 after the Food and Drug Administration approved the company's anti-viral drug, Videx. The drug, also known as DDI, joins AZT as the only FDA-approved drug for treating the symptoms of Aids. The shares ran out of steam, however, and ended up just $¼ at $81⅞.

Merrill Lynch slumped $2⅛ to $45 after the securities firm confirmed that it was co-operating with a Securities Exchange Commission probe into an alleged scheme by a Florida insurance company to hide its ownership of some junk bonds. Merrill denied that it had participated in any illegal or unethical acts.

Canada

TORONTO stocks finished lower in moderate trading. Based on preliminary data, the composite index fell 14.21 points to close at 3,339.50. Declining issues led advancers 285 to 222, as volume fell to 21.3m shares from 24.3m shares. Trading value slipped to C$289.6m from C$290.7m.

Eight of 14 sub-groups posted losses, with financial services losing 1.28 per cent and real estate and construction down 1.08 per cent. Consumer products and industrial products also fell, while energy was steady and mining and golds climbed moderately.

SOUTH AFRICA

JOHANNESBURG eased in listless trading ahead of today's Kruger Day holiday. The all-gold index dropped 11 to 1,173 as bullion prices held at lower levels. The industrial index slipped 21 to 4,048 and the all-share fell 22 to 3,373.

Nordic banks pay the price of reckless expansion

High interest rates and falling property prices are also to blame for the sector's woes, says **Robert Taylor**

BANKING SHARES in the Nordic region have plummeted in the past two months and it is unlikely that there will be any early respite. The trend has been similar across all four countries concerned.

The reasons for the gloom are clear enough. Over the course of the year, the troubles of many of the leading Nordic commercial banks have multiplied as a result of mounting credit losses, which have made a severe impact on operating profits. The deregulation of the banking sector in the mid-1980s triggered an often reckless expansion in unsecured credit by the banks and other financial institutions to both corporate and private clients.

The boom, however, did not last. At present both Sweden and Finland are in a deep economic recession, and Norway has still a long way to go before it recovers fully from the shock to its economy when oil prices collapsed in the summer of 1986.

A combination of high market interest rates and rapidly falling prices in the once overheated property sector, where many bank clients had invested their loans, have caused severe liquidity problems for many highly leveraged borrowers.

The banking troubles are the most serious in Norway, where the sector index dropped 49 per cent in August and September, compared with a fall of 3.9 per cent in the all-share index.

Last year Norwegian banks' credit losses totalled NKr8.2bn ($1.2bn) between them, and the outlook for this year is even worse. Christiania, the country's second-largest bank, was compelled to agree to a NKr2.1bn rescue package in August, while Den Norske Bank, the biggest bank, received a capital injection this summer from the banks' guarantee fund, intended to ease its problems after it reported a NKr1.1bn deficit in the first six months of the year.

This autumn, Stockholm's banking shares have also been hit, with the bank and finance index falling 26.8 per cent in the past couple of months, compared with a loss of 7.3 per cent in the Affärsvärlden General index.

Sweden has been damaged particularly by the crisis at Nordbanken, the state-controlled bank. In August it had to raise SKr5bn ($816m) in new stock, with government guarantees to cover possible losses from its move to save Nobel Industries from collapse. Two weeks ago Nordbanken recorded a SKr6.6bn pre-tax loss in its first eight months' results.

In Finland the squeeze on the banks has come later than elsewhere in the region, but it has now arrived with a vengeance. During August and September, the bank index fell 20.2 per cent, compared with a decline of 17.2 per cent in the Hex index.

Two separate troubles have affected Helsinki at almost the same time. Kansallis-Osake-Pankki, the country's largest bank, has made serious credit losses over the past eight months. It has also aroused widespread unease over secret share dealings carried out with the bank's authorisation by Mr Pentti Kouri, a New York-based financier, to increase its hold in a number of Finnish industrial companies.

On top of this the central bank was forced to intervene three weeks ago to take direct control of Skopbanken, the savings bank, which faced collapse. It appears likely that the rescue operation will cost more than FM10bn ($2.4bn) and the central bank may have to maintain control of Skopbanken for longer than it wanted to do.

The Danish banks are more highly capitalised than those of their neighbours, and the Danish economy is performing strongly at the moment. This summer, Den Danske Bank, the country's biggest bank, actually cut its loan loss provision. But none of this prevented a drop in share values in Denmark's banking sector in the past two months. The bank index lost 10.4 per cent, compared with a fall of 3.4 per cent in the bourse index.

The outlook for the Nordic banking sector remains negative, even if the banks are cutting their costs, tightening their credit controls and rationalising their structures. The loan losses will continue to mount for some time, particularly from industrial and household borrowers.

But there are some grounds for longer term optimism. All the Nordic currencies are now linked to the European Currency Unit, which should help to reduce interest rates and inflation. Tax changes are likely to encourage more savings, and the new international capital adequacy requirements from 1993 should also be beneficial.

NORDIC BANK STOCKS, PERFORMANCE IN 1991

Bourse	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Copenhagen bank index	228.71	246.33	243.39	247.38	258.51	264.60	265.51	248.69	237.94
Change on month	+5.0%	+7.7%	−1.2%	+1.6%	+4.5%	+2.4%	+0.3%	−6.3%	−4.3%
Stockholm bank & finance index	803	911	936	881	905	909	923	779	676
Change on month	+10.6%	+13.4%	+2.7%	−5.9%	+2.7%	+0.4%	+1.5%	−15.6%	−13.2%
Oslo bank index	85.9	91.1	96.2	83.0	70.1	86.0	85.8	59.0	43.8
Change on month	−15.5%	+6.1%	+5.6%	−13.7%	−15.5%	+22.7%	−0.2%	−31.2%	−25.8%
Finland bank index	936.95	1007.12	1114.73	1002.99	1001.59	919.90	949.10	902.13	757.39
Change on month	−6.3%	+7.5%	+10.7%	−10.0%	−0.1%	−8.2%	+3.2%	−4.9%	−16.1%

Sources: The four bourses

EUROPE

Frankfurt weakens as traders lose hope of a bounce

THE WAIT for a rebound in Frankfurt continued yesterday, as the bourse fell to a seven-week low, *writes Our Markets Staff.*

FRANKFURT fell as traders, who had built up long positions in the hope of a bounce in prices, squared their books. The DAX index dropped 11.49 to 1,567.22, its lowest close since 1,526.93 on August 20 during the failed coup in the Soviet Union. The FAZ index, calculated at midsession, fell 2.94 to 650.56.

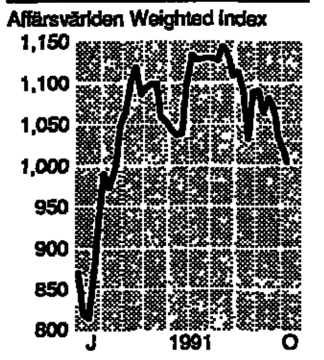
Volume was estimated to be near Tuesday's DM4.2bn, but there was little evidence that institutions were coming off the sidelines.

In its latest monthly report, Kleinwort Benson says that German equities are growing more attractive relative to bonds, and that there are bargains to be found in the motor and building sectors. But it adds that the market will probably have to wait until the turn of the year for clearer signs of what IG Metall, the metalworkers' union, will claim from engineering employers next year.

Steels were among the main losers, on reports of downgradings. Thyssen fell DM3.20 to DM220 and Hoesch lost DM2 to DM293.

Sweden

Affärsvärlden Weighted index



Source: Datastream

FT-SE Eurotrack 100 - Oct 9

Hourly changes							
Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1092.95	1091.97	1090.75	1089.42	1089.01	1088.66	1088.80	1088.95
Day's High 1092.96				Day's Low 1088.09			

Oct 8	Oct 7	Oct 4	Oct 3	Oct 2
1093.53	1092.53	1098.21	1102.18	1104.34

Base value 1000 (26/10/90)

STOCKHOLM recouped most of its early losses on the news that Ericsson, the telecoms group, has won a contract worth SKr1.06bn from Mercury and Unitel. Ericsson free B shares gained SKr6 to SKr156.

The Affärsvärlden General index closed 1.7 down at 1,004.5, another seven-month low. Turnover was active at SKr404m, up from SKr341m.

Early losses were triggered by disappointing results from Stora, the forestry company. Stora's A shares dropped SKr20 or 6.7 per cent to SKr280 after the company announced a 31 per cent fall in eight-month profits and issued a profits warning for the full year.

Elsewhere in the forestry sector, SCA's announcement of an 11 per cent decline in eight-month profits was more in line with expectations, and its B shares added SKr1.5 to SKr97. MoDo, which is expected to report poor results tomorrow, saw its B shares close unchanged at SKr210.

Free Bs in Astra, the pharmaceutical group, rose SKr6 to SKr515. Astra denied rumours that it might bid for Fisons of the UK.

PARIS finished lower after trading within a narrow range. The CAC 40 index slipped 4.68 to a four-week low of 1,843.43. Turnover remained thin at about FFr1.5bn, after Tuesday's FFr1.7bn.

The construction sector was weak, after Spie Batignolles announced a first-half net loss of FFr150m, compared with a profit of FFr90m in the same period of 1990. Spie Batignolles shares fell FFr14 or 3 per cent to FFr459 and its parent group, Schneider, lost FFr9 to FFr668.

Suez shed FFr4.90 to FFr315.50 on worries about first-half profits. It was due to hold a news conference after the close.

Club Mediterranée gained FFr7 to FFr463.50 after Tuesday's late news that it had cut its stake in the loss-making Air Liberté airline. Société Générale added FFr1.50 to FFr461.80 before announcing a rise in first-half profits.

MILAN fell in thin trading, with the banking sector and SAI, the insurer, bearing the brunt. Fears that next week's settlement of the October trading month could be disrupted by a bourse operators' strike also weighed on the market. The Comit index fell 8.71 to 529.77 in turnover of L80bn-L100bn after Tuesday's L80bn.

SAI dropped 2.6 per cent or L410 to L15,100 and was suspended until the end of the session. Dealers said that it had been revealed at a company presentation the previous day that the interim results, excluding extraordinary items, were far worse than expected.

Montedison, which has drawn up plans for some L2 trillion of asset sales to reduce debt, bucked the trend, adding L8 to L1,215.

AMSTERDAM gave up its opening gains and followed London and Frankfurt lower. The CBS Tendency index closed 0.2 down at 88.7, after opening at 89.2.

ASIA PACIFIC

Nikkei rises on arbitrage-linked buying

Tokyo

ARBITRAGE-LINKED buying and the overnight rally on Wall Street supported the 225-share Nikkei average yesterday, which rose for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei finished 329.64 ahead at the day's high of 24,485.26. The session's low was 24,114.64. Volume remained thin, totalling 330m shares.

Over the whole market, however, a weaker tendency prevailed, with declines leading advances by 609 to 359 and 162 issues unchanged. The Topix index of all first section stocks edged up 1.62 to 1,860.75, but in London the ISE/Nikkei 50 index slipped 4.52 to 1,411.57. The market is closed today for a holiday.

The Nikkei average rose on arbitrage-related and options-linked buying. In afternoon trading, rumours that Mr Mikhail Gorbachev, the Soviet President, had been shot, briefly depressed prices, but the index rose after a denial from the Soviet authorities.

Soviet-related issues moved ahead on news that the Japanese government had granted an aid package to the USSR of $2.5bn. Trading houses firmed, with C. Itoh gaining Y14 to Y712 and Mitsui Y2 to Y824.

Oil-related issues gained ground on the fall in crude oil prices. Interest in resource-related stocks, thanks to the focus on the Soviet Union, also spread to the oil sector. Teikoku Oil added Y34 at Y980 and Cosmo Oil Y11 at Y905.

Nippon Mining, the day's most active issue, climbed Y8 to Y608 on rumours that it was developing an anti-cancer drug with a US research organisation. Although the company denied the rumours, the issue was actively bought by investment trusts.

Sumitomo Realty & Development shed Y10 to Y1,200 on reports that the company could suffer a double-digit fall in pre-tax profits for the half-year ended September because of stock appraisal losses. The company itself has said that profits would be flat for the period.

The Tokyo Stock Exchange announced yesterday that arbitrage positions held against December futures contracts totalled 1.1bn shares worth Y1,280bn as of October 4. Morgan Stanley became the most active arbitrageur for the week of September 30 to October 4, with 15.8 per cent of total turnover. It was followed by Société Générale Securities and Nikko Securities.

In Osaka, the OSE average fell for the third consecutive day, declining 177.34 to 26,489.60 on volume of 20m shares. Toa Wool Spinning & Weaving lost Y6 to Y766 on profit-taking after rising over the last week.

Roundup

RUMOURS THAT Soviet President Mr Mikhail Gorbachev had been shot unsettled several Pacific Rim markets.

AUSTRALIA was held back by the release of September jobs data, due today. The All Ordinaries index firmed 4.3 to 1,571.3 in turnover of A$212m, after Tuesday's A$199m.

Westpac declined 10 cents to A$4.38 on fears that its annual results will be disappointing. The banking sector is due to report annual earnings next month.

HONG KONG rebounded from a mid-morning drop on the Gorbachev rumour. The Hang Seng index closed a net 9.53 higher at 4,076.38, up 33 from the day's low. Turnover rose to HK$1.37bn (HK$1.27bn).

SINGAPORE closed mixed after a brief rise in the morning was reversed by the Gorbachev speculation. The Straits Times Industrial index eased 0.13 to 1,338.99 in thin volume of 29.9m shares, against 34.6m.

NEW ZEALAND added 1.2 per cent, encouraged by lower interest rates and the rise on Wall Street. The NZSE-40 index rose 17.07 to 1,451.28 in turnover of NZ$13m.

TAIWAN shed early gains on the Gorbachev scare. The weighted index dipped 21.07 to 4,825.48, snapping a four-day winning streak. Turnover jumped to T$23.5bn (T$13.4bn).

SEOUL was lifted by late buying of motor and manufacturing shares. The composite index put on 1.63 to 709.38 in Won276bn turnover.

BOMBAY fell after the Reserve Bank announced a tight credit policy for the second half of the 1991/92 fiscal year. The BSE index dropped 63.72 or 3.6 per cent from Monday's close to 1,716.53.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 9 1991								TUESDAY OCTOBER 8 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.67	+0.5	130.97	124.64	133.35	126.81	+0.3	4.79	150.97	130.55	124.15	133.04	126.47	153.54	112.74	132.42
Austria (20)	172.21	−0.8	148.70	141.52	151.40	151.83	−0.5	1.88	173.51	150.04	142.70	152.90	152.64	222.37	154.82	188.88
Belgium (47)	128.40	−0.1	110.87	105.50	112.88	110.51	+0.0	5.36	128.57	111.18	105.73	113.30	110.50	151.20	118.04	132.74
Canada (114)	133.93	−0.5	115.65	110.05	117.74	109.54	−0.4	3.46	134.58	116.37	110.67	118.58	109.97	142.27	126.49	125.90
Denmark (37)	247.93	−1.0	214.08	203.74	217.97	220.79	−0.4	1.60	250.38	216.51	205.91	220.64	221.69	270.56	217.74	246.96
Finland (15)	84.05	−2.0	72.58	69.07	73.90	73.29	−0.9	3.32	85.81	74.20	70.57	75.62	73.97	125.15	84.05	101.86
France (109)	139.98	+0.1	120.87	115.02	123.05	126.42	−0.1	3.51	139.89	120.97	115.03	123.26	126.56	152.26	119.11	132.38
Germany (65)	106.20	−0.3	91.70	87.28	93.36	93.36	−0.5	2.40	106.49	92.08	87.58	93.84	93.84	125.35	94.15	110.16
Hong Kong (55)	168.62	+0.1	145.60	138.56	148.24	167.88	+0.2	4.34	168.52	145.72	138.58	148.51	167.62	189.98	119.62	117.04
Ireland (18)	155.48	+0.1	134.25	127.76	136.68	138.96	+0.3	3.60	155.33	134.32	127.74	136.88	138.61	182.46	132.88	149.01
Italy (77)	70.22	−0.5	60.64	57.70	61.73	66.28	−0.8	3.50	70.60	61.05	58.06	62.21	66.80	88.23	64.76	83.53
Japan (474)	141.47	+0.3	122.16	116.25	124.39	116.25	+0.2	0.73	141.06	121.98	116.00	124.32	116.00	146.97	118.23	127.64
Malaysia (68)	191.16	+0.0	165.06	157.08	168.05	202.21	+0.0	2.99	191.23	165.37	157.26	168.52	202.21	247.78	189.18	186.58
Mexico (16)	1247.36	+3.8	1077.07	1025.02	1096.62	4175.96	+3.8	1.26	1201.75	1039.19	988.30	1059.01	4023.24	1247.36	534.45	497.67
Netherland (31)	138.14	+0.0	119.28	113.52	121.45	120.14	−0.2	4.49	138.12	119.44	113.59	121.72	120.41	145.73	125.70	133.18
New Zealand (14)	46.44	+1.2	40.10	38.17	40.83	43.42	+1.2	6.70	45.88	39.67	37.73	40.43	42.89	54.64	41.18	54.34
Norway (31)	191.48	+0.2	165.34	157.35	168.34	172.57	+0.6	1.63	191.14	165.29	157.19	168.44	171.49	223.24	178.58	244.88
Singapore (38)	185.45	−0.5	160.13	152.39	163.03	145.15	−0.1	2.45	186.46	161.24	153.34	164.31	145.30	208.25	151.63	148.78
South Africa (61)	249.14	−0.9	215.13	204.73	219.02	168.86	−0.9	2.87	251.29	217.30	206.65	221.43	170.32	256.85	173.00	166.27
Spain (53)	151.41	+0.2	130.74	124.43	133.11	122.68	+0.2	4.43	151.17	130.72	124.32	133.21	122.48	171.12	131.51	136.39
Sweden (25)	180.95	+0.8	156.25	148.70	159.08	164.88	+0.7	2.70	179.55	155.27	147.67	158.22	163.67	204.12	146.60	179.19
Switzerland (59)	92.82	+0.2	80.15	76.28	81.61	85.17	−0.1	2.27	92.60	80.08	76.16	81.62	85.28	100.67	82.17	91.01
United Kingdom (240)	177.82	−0.4	153.54	146.11	156.31	153.54	−0.6	4.83	178.61	154.45	146.87	157.38	154.45	187.44	156.27	166.44
USA (526)	153.17	−0.9	132.25	125.87	134.66	153.17	−0.9	3.18	154.63	133.72	127.17	136.27	154.63	161.02	125.95	121.02
Europe (827)	138.86	−0.2	119.90	114.11	122.09	121.57	−0.4	3.94	139.20	120.37	114.48	122.67	122.05	151.52	125.50	135.52
Nordic (108)	179.29	−0.2	154.81	147.33	157.62	155.38	+0.2	2.09	179.59	155.29	147.69	158.26	155.13	200.81	155.55	184.90
Pacific Basin (718)	141.72	+0.3	122.37	116.46	124.60	117.45	+0.2	1.06	141.32	122.20	116.22	124.53	117.19	145.92	117.86	127.18
Euro – Pacific (1545)	140.93	+0.1	121.69	115.80	123.89	119.91	+0.0	2.19	140.82	121.77	115.80	124.09	119.94	147.66	121.29	130.92
North America (640)	151.90	−0.9	131.17	124.84	133.57	150.21	−0.9	3.19	153.32	132.58	126.10	135.14	151.60	159.66	125.91	121.23
Europe Ex. UK (587)	115.87	−0.1	100.05	95.23	101.89	103.29	−0.2	3.26	116.97	100.28	95.39	102.22	103.54	129.80	103.56	116.58
Pacific Ex. Japan (244)	144.06	+0.2	124.41	118.42	126.68	127.03	+0.2	4.35	143.76	124.31	118.24	126.69	126.76	147.60	111.40	121.11
World Ex. US (1736)	142.51	+0.1	123.05	117.11	125.29	121.03	+0.0	2.24	142.41	123.15	117.12	125.50	121.06	148.16	122.32	131.31
World Ex. UK (2022)	141.91	−0.3	122.54	116.62	124.77	128.88	−0.3	2.31	142.31	123.06	117.04	125.42	129.32	145.77	120.06	122.85
World Ex. So. Af. (2201)	144.35	−0.3	124.65	118.63	126.92	130.90	−0.4	2.57	144.77	125.19	119.07	127.59	131.35	148.66	122.92	126.49
World Ex. Japan (1788)	148.33	−0.6	128.08	121.90	130.42	139.23	−0.6	3.50	149.21	129.03	122.72	131.51	140.13	152.85	126.68	127.52
The World Index (2262)	145.04	−0.3	125.24	119.19	127.52	131.22	−0.4	2.57	145.47	125.79	119.64	128.20	131.69	149.01	123.28	126.73